# FINANCIAL TIMES

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## WORLD NEWS

### Jospin moves to play down coalition differences over single currency

In a wide-ranging interview with the daily Le Monde, Lionel Jospin, the French prime minister, sought to play down differences within his government over the European single currency and its impact on French sovereignty on the eve of a parliamentary debate on the issue. Page 2

**E German salary earnings drop**
Total east German wage and salary earnings fell last year for the first time since unification eight years ago. Page 3

**Nato team set for Kosovo talks**
A Nato crisis team arrived in Tirana for talks with the Albanian defence ministry after clashes on the border with Serbia's southern province of Kosovo. Page 2

**Curb sought on US online CD sales**
The UK music industry is considering ways of preventing US-based internet retailers from selling albums and singles by mail order to UK consumers. Page 10

**Russia denies Kurile Islands deal**
Russia rebuffed Japanese reports that Moscow was considering relinquishing sovereignty over the disputed Kurile Islands, seized by the Soviet Union in 1945. Page 4

**Visit highlights China-Japan unease**
The Chinese vice-president, Hu Jintao, arrives in Tokyo today for a six-day visit that will bring to the fore the underlying unease in Sino-Japanese relations. Page 4

**Vatican urged to cut Taiwan links**
China's catholic church said Pope John Paul would be "welcome" to visit China if the Vatican switches diplomatic recognition from Taiwan to mainland China. Page 4

**Indian PM sacks minister**
India's prime minister sacked his communications minister in a move widely viewed as an attempt to appease a powerful partner in the coalition government. Page 4

**Clinton urges anti-tobacco bill**
US President Bill Clinton warned Congress not to be deceived by the "smokescreen" put up by the tobacco industry and urged the passage of a tough anti-tobacco bill. Page 6

**Mexican reforms face hard passage**
President Ernesto Zedillo's financial reforms are headed for a stormy passage through congress as opposition parties balk at the cost of rescuing Mexican banks. Page 6

**Ecuador hit by political bickering**
New measures to cut Ecuador's budget deficit have run into political opposition after a top US rating agency cited political bickering as a principle reason for downgrading the country's prospects. Page 6

**Motta death blow to Brazil**
Sérgio Motta, Brazil's communications minister, has died after suffering a lung infection, dealing a huge political and personal blow to President Fernando Henrique Cardoso. Page 6

**Abacha set for sole candidacy**
Sani Abacha, Nigeria's military leader, looked set to become the sole candidate in next August's presidential elections. Page 8

**Anti-apartheid archbishop dies**
Archbishop Trevor Huddleston, who devoted much of his life to the struggle against apartheid in South Africa, has died, aged 84. The archbishop was one of the founders of the Anti-Apartheid Movement in 1959. Obituary, Page 8

## BUSINESS NEWS

### Volkswagen steps up drive to block Rolls-Royce Motors sale to rival BMW

Volkswagen, the German carmaker, is stepping up efforts to stop its rival BMW from taking over Rolls-Royce Motor Cars. VW's supervisory board meets on Saturday and is expected to approve an improved £370m offer for the luxury car producer. Page 29

**Deutsche Bank's** asset management chief Michael Dobson plans to step up expansion efforts in Europe and the US to ensure a leading role in the rapidly consolidating industry. Page 29

**Liffe,** the London futures exchange, stole a march on competitors with plans to launch the first derivatives contract denominated in the future single European currency. Page 29

**Bechtel,** the US construction group, signed a $600m deal with Croatia to build a 120km four-lane motorway from its Slovenian border through the capital, Zagreb, to the border with Bosnia. Page 5

**International headhunters** hope to have found a chief executive by the end of May for the company that will be spun off from Intelsat, the inter-governmental satellite consortium. Page 6; Observer, Page 27

**Travelers,** the US financial services group which earlier this month agreed to merge with Citicorp, reported record first-quarter earnings of just over $1bn, exceeding analysts' estimates. Page 29

**Rupert Murdoch** moved into Russia and standard telecommunications with an $81m cash deal with Cable and Wireless for stakes in three eastern European telephone companies, through News America, a subsidiary of News Corp. Page 32

**Bangkok Bank** of Thailand kicked off the sector's first-quarter reporting season with a 98 per cent fall in profits, just days ahead of the pricing of a planned share issue designed to raise $1bn. Page 29

**Eli Lilly** saw its shares rally on first-quarter net income of $521m, up 20 per cent, and on speculation its new osteoporosis drug may also be used for breast cancer prevention. Page 31; Lex, Page 28

**Chubb** Corporation chairman Dean O'Hare said he would regard a planned US-China summit in June as a failure unless two new insurance licences were awarded to US companies. Page 5

**Cendant,** the marketing group which had its share price almost halved after reporting "potential accounting irregularities", saw its stock gain after appointing a new chief financial officer for its Alliance Marketing division. Page 30

**Cathay Pacific** shares jumped 7.2 per cent, fuelling speculation of an ownership restructuring of the Hong Kong flag carrier. Page 32

**Chen Rong,** who made his fortune manufacturing equipment for 10-pin bowling alleys, said his Shanghai Zhonglu company bought a floor of the new Shanghai stock exchange building as a step towards expanding into financial services. Page 32

**World Equity Markets**
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# Albright asks Netanyahu and Arafat to London talks

By Mark Suzman in Washington, George Parker in Gaza and Judy Dempsey in Jerusalem

The US has invited Yassir Arafat, the Palestinian leader, and Benjamin Netanyahu, the Israeli prime minister, to talks in London on May 4 to try to break the deadlock in the stalled Middle East peace process.

A spokesman for Madeleine Albright, the US secretary of state, said she had requested the meetings "some time ago" to determine if new US proposals could provide a basis for a breakthrough. She plans to meet separately with the two leaders.

Mr Arafat and a spokesman for Mr Netanyahu both welcomed the invitation.

Mr Arafat, the president of the Palestinian Authority, said he would travel to London to play a "positive" role in negotiations. Speaking after talks with Tony Blair, UK prime minister, in Gaza, Mr Arafat said the European Union should also play a full part in the talks.

Mr Blair will host the London talks on behalf of the EU and he said he hoped to play a personal role. Britain currently holds the presidency of the EU.

David Bar-Illan, adviser to Mr Netanyahu, said last night: "We wholeheartedly look forward to this visit. It will mean progress. We want progress."

In Washington, James Rubin, Mrs Albright's spokesman, warned that the discussions "can be useful if, and only if, decisions are made no longer on procedures but on substance".

He acknowledged there were still "very significant and difficult roadblocks" to restarting the negotiations. He said Dennis Ross, the US special envoy to the Middle East, and Martin Indyk, assistant secretary of state, would travel to the Middle East later this week to try to iron out some of the difficulties before the London meetings.

The May 4 meeting has particular significance. Mr Arafat said at the weekend he would almost certainly declare a Palestinian state on May 4 next year. If this were done unilaterally, it would bring the Middle East crisis to a head.

There has been a series of meetings in the US and Europe since last autumn, all of which have foundered on Israel's refusal to meet its existing commitments to the Palestinians.

Mr Bar-Illan said one of the main issues to be discussed in London would be the overdue second Israeli troop withdrawal from the West Bank. Israeli officials insist that any pullback is contingent on the Palestinians cracking down on terrorism and meeting other conditions set by the Israeli government.

Mr Blair said his five-day tour of the Middle East had "helped to clear the log jam" in the peace process. "There's no doubt that people here are impressed by what we have been able to achieve in Ulster," he said. He stressed the US would continue to take the lead in negotiations and that the EU would play a "complementary role".

Mr Arafat said he wanted the London talks to be a four-way process, involving the US and Israeli, Palestinian and EU representatives. Mr Blair envisages a more low-key occasion.

A question mark remains over whether Mr Netanyahu will travel to London, despite his assertion on Sunday that he would "travel anywhere at any time" to move the peace process forward.

Mr Blair was holding further talks with Mr Netanyahu this morning, before returning to London.

Editorial comment, Page 27

Pointing the way ahead: British prime minister Tony Blair (left), with Palestinian leader Yassir Arafat Reuters

MINISTERS AGREE RESTRUCTURING STEPS TO REDUCE OVERCAPACITY, DUPLICATION AND INEFFICIENCY

# European defence consolidation accelerates

By Alexander Nicoll in London and David Owen in Paris

European defence ministers last night agreed a series of steps to accelerate consolidation of their defence industries, which are dogged by overcapacity following the sharp fall in defence spending since the end of the Cold War.

The defence ministers of France, Germany, Britain, Italy and Spain, who met in Paris, said they would sign a letter of intent in June cementing principles established yesterday and setting up an organisation to implement them.

Industry ministers of the five nations are due to meet in London this evening.

George Robertson, UK defence secretary, said: "Defence and industry ministers are determined to get this process going because thousands of jobs and an industry of huge importance to Europe are at stake."

They are concerned that a fragmented arms industry will not produce value for money in defence procurement and that they will increasingly be under pressure to place orders with larger US companies.

The ministers agreed they should move towards harmonising procurement and look for common solutions to weapons needs which avoided wasteful duplication in research and development, and manufacturing. To facilitate this, they said they would take steps to alter export procedures so that equipment could be exported which included sub-systems manufactured in other partner countries.

Since the elimination of overlapping capacity could leave individual countries without indigenous suppliers of key equipment such as ammunition, the ministers agreed to take measures to ensure security of supply. They would then depend on each other to provide necessary equipment.

Other areas on which they agreed to take action included security of information – ensuring the protection of classified information as it passed to a joint European company – and intellectual property rights.

Yesterday's agreement carries through an undertaking given last December when the heads of government of Britain, France and Germany called on aerospace and defence companies to produce an action plan for restructuring to create a more efficient and competitive industry.

Though they saw it as the companies' responsibility to produce the plan, they said then: "We undertake for our part to implement the necessary measures in national policies relating to this industry in order to facilitate this restructuring." The addition of Italy and Spain to last year's trilateral initiative underlined the urgency with which European governments view the issue.

British Aerospace, Aerospatiale, Daimler-Benz Aerospace and Casa of Spain – the partners in the Airbus consortium – have submitted a response agreeing they should form a European company under a single management to bring together all their aerospace and defence interests. But they made clear there were a number of obstacles over its make-up and shareholding structure.

Saab-BAe link to strengthen, Page 33

# Akzo Nobel in $3bn bid for Courtaulds

By Roger Taylor in London and Barbara Smit in Amsterdam

Akzo Nobel, the Dutch chemicals group, has agreed a £1.8bn ($3bn) takeover bid for Courtaulds, the UK paints and fibres business, in a deal that will make it the world's biggest paints company.

Courtaulds is recommending the 450p a share offer as better value than its own plans, announced in February, to demerge its fibres business from its paints operations.

However, analysts said shareholders should wait to see whether other bidders emerged. Several other companies are understood to have also talked to Courtaulds about buying its paints business, including Imperial Chemical Industries of the UK and PPG of the US, before the company entered negotiations with Akzo. Courtaulds shares rose 7½p to 450p yesterday.

Cees van Lede, Akzo Nobel chairman, said commercial advantages were the driving force behind the deal rather than cost savings or job losses, which are expected to be insignificant.

Akzo is the second biggest paints company after ICI and is strong in decorative paints. Buying Courtaulds, which specialises in marine, aerospace and powder paints, will strengthen its industrial paints division.

Akzo said it did not expect the deal to run into competition concerns. However, analysts warned that regulators might object to the combined groups' dominant position in the supply of coatings to the aerospace industry.

Mr Van Lede was particularly pleased with Courtaulds' network in Asia, which would increase the share of the company's coatings turnover in that region from 3 to 10 per cent. He said Akzo Nobel would seek rapid expansion in the Asia-Pacific zone, although only in small steps.

Akzo Nobel shares rose by about 5 per cent in Amsterdam, after the company said the deal would add to earnings per share. At 450p per share, the Courtaulds price is about 22 times expected earnings for the year to March 1998 on forecast pre-tax profits of £110m.

The shares are 66 per cent above the 271½p share price on the day before Courtaulds announced its restructuring plans.

Courtaulds said that if the deal was approved it would not pay its final dividend for the year to March 31, 1998, which was expeced to be about 11p.

Akzo plans to combine Courtaulds' fibres business with its own and demerge the combined group. Gordon Campbell, chief executive of Courtaulds, is expected to then become head of the resulting new textiles company.

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## WORLD MARKETS

| STOCK MARKET INDICES | | |
|---|---|---|
| **New York: Lunchtime** | | |
| Dow Jones Ind Av | 9104.22 | (-93.28) |
| NASDAQ Composite | 1884.65 | (+18.05) |
| **Europe and Far East** | | |
| CAC40 | 3885.69 | (+24.17) |
| DAX | 5442.09 | (+179.25) |
| FTSE 100 | 5954.1 | (+31.9) |
| Nikkei | 15,697.10 | (-6.70) |
| **US Lunchtime RATES** | | |
| Federal Funds | 5.43% | |
| 3-mth Treas Bills: Yld | 5.069% | |
| Long Bond | 102⅜ | |
| Yield | 5.924% | |
| **OTHER RATES** | | |
| UK: 3-mo Interbank | 7⅝% | (7⅝%) |
| UK: 10 yr Gilt | 110.75 | (110.781) |
| France: 10 yr OAT | 104.45 | (104.80) |
| Germany: 10 yr Bund | 108.04 | (108.28) |
| Japan: 10 yr JGB | 110.04 | (109.85) |
| **NORTH SEA OIL (Argus)** | | |
| Brent Dated | $13.775 | (13.96) |

| GOLD | | |
|---|---|---|
| **New York: Comex** | $307.9 | (307.6) |
| **London** | $307.85 | (307.75) |
| **EXCHANGE RATES** | | |
| **Dollar** | | |
| **New York: Lunchtime** | | |
| £ | 1.6745 | |
| DM | 1.80095 | |
| FFr | 6.036 | |
| SFr | 1.4955 | |
| Y | 132.22 | |
| **London** | | |
| £ | 1.6796 | (1.685) |
| DM | 1.8024 | (1.8075) |
| FFr | 6.0415 | (6.0578) |
| SFr | 1.4944 | (1.4983) |
| Y | 132.28 | (131.87) |
| Tokyo Close | | Y 132.19 |
| **Sterling** | | |
| DM | 3.0254 | (3.0456) |

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# WORLD NEWS

EUROPE

# Van Miert bans cash for airport slots

By Michael Skapinker in London and Samer Iskandar in Brussels

Karel Van Miert, the EU competition commissioner, yesterday warned British Airways and American Airlines that they would not be allowed to receive cash for airport slots they gave up in exchange for approval from Brussels for their planned alliance.

The two airlines have said they intend to sell any take-off and landing slots they are required to dispose of at London's Heathrow airport. But Mr Van Miert told the European Parliament's transport and tourism commission: "We cannot accept the sale of slots."

The Commission is expected within the next few weeks to announce the conditions under which it is prepared to allow the BA-American alliance to proceed. Mr Van Miert had said the two airlines would be required to give up about 350 weekly slots at Heathrow. The airlines rejected the figure and the Commission is working on compromise proposals.

The alliance, which was first announced in 1996, involves co-ordination of BA and American pricing, marketing and flight schedules. The Commission is also investigating other airline partnerships, including the Star Alliance, led by Lufthansa of Germany and United Airlines of the US.

Brussels officials have been discussing several proposals for the legalisation of the sale of airline slots. Although the sale of slots is widespread, the Commission says it is illegal. Airlines may trade slots, but they are not allowed to receive cash in return.

Commission officials have considered various solutions, including one which would allow the sale of slots in return for concessions from airlines on "grandfather rights". This is the system under which airlines which have been awarded airport slots can continue to hold them indefinitely.

Under the proposal, airlines would agree to transfer a small proportion of slots to new entrants in return for the right to buy and sell any other slots on the secondary market.

However, officials say Mr Van Miert's opposition to slot sales means this proposal is unlikely to be accepted. Mr Van Miert is understood to have argued that airport slots are public property and that airlines should not have the right to sell them.

Donald Carty, American Airlines' president, said in a recent interview that he did not think Mr Van Miert's opposition to slot sales would be fatal to his company's planned alliance with BA. He said that while giving away "a whole lot of slots on day one is not going to make much economic sense to us or BA", ways could be found of providing space at Heathrow for other airlines. "I think there are some ways of finessing this," he said.

# New party links with National Front

By Robert Graham in Paris

A rightwing party has been formed in France's Rhône-Alpes region by Charles Millon, the area's new president, who last month agreed to forge an alliance with the National Front.

The party, to be called The Right, is at the moment limited to the Rhône-Alpes, the second wealthiest region in the country. The move breaks fresh ground by embracing a dialogue with the National Front. Until now the Front has been regarded a parish because of the racist and xenophobic policies of its leader, Jean-Marie Le Pen.

The formation of The Right has also caused a stir among moderate rightwing parties because of Mr Millon's prominence as a former defence minister and associate of President Jacques Chirac. His action has underlined the disarray among two main rightwing opposition groups – the Gaullist RPR and the more liberal UDF – in the wake of an unconvincing performance in March regional elections and an unexpected loss in the general elections last year.

Mr Millon's hand was forced because he was expelled from the UDF for agreeing to rely upon National Front support for the presidency of the region. Three other UDF politicians also disobeyed orders from Paris and pressure from President Chirac to forgo their alliances with the Front.

However, a quarter of the region's RPR and UDF regional councillors refused to go along with Mr Millon's proposal to form a new grouping.

Mr Millon declared his new party would "gather in all the tendencies" of the right whether "nationalist or European, traditionalist or renovator".

Rightwing politicians condemned Mr Millon's action for providing an unwelcome respectability for the National Front.

But Mr Millon's supporters argue the National Front has accepted his programme of regional government. They add the RPR and UDF have shown themselves incapable of stemming the rise of the Front, which now commands over 15 per cent of the national vote.

Meanwhile, the UDF has found it hard to decide whether it should merge with the RPR. The RPR itself, which firmly opposes a merger with the UDF, is constrained by Mr Chirac, its founder, who seems uncertain which political formation would best help him win re-election.

# No drama over the euro, says Jospin

By Robert Graham in Paris

Lionel Jospin, the French prime minister, yesterday sought to play down differences within his government over the European single currency and its impact on French sovereignty on the eve of a parliamentary debate on the issue.

In a wide-ranging interview with the daily Le Monde, Mr Jospin said the differing views of his coalition partners were well known. As a result, he said the debate "will hold no surprises and thus there will be no drama".

The Communist party, which has four ministers in the cabinet, remains firmly opposed to the adoption of the single currency and continues to call for a referendum. Even members of the prime minister's Socialist party such as the interior minister, Jean-Pierre Chevènement, dislike the idea of embracing the euro and losing control of monetary sovereignty.

Although the Communists have made it clear they intend to remain in the government, their differences with the Socialists on the euro are an embarrassment to Mr Jospin and an encouragement for the Eurosceptics in the rightwing opposition.

The two-day parliamentary debate on French adoption of the single currency offers the last occasion for dissenting voices to be heard before the EU summit to launch the euro on May 2-3.

Mr Jospin told Le Monde he thought there would be a compromise solution to the deadlock over the presidency of the future European Central Bank. But he repeated the tough line of President Jacques Chirac last week, threatening to veto the current main candidate, the Dutch banker Wim Duisenberg, if France was unhappy with any compromise deal.

Mr Jospin appeared anxious to seize the initiative in the wake of President Chirac's unexpected press conference last week, which contained several scarcely veiled criticisms of the 10-month-old leftwing government. Mr Jospin defended his record of budgetary management while highlighting his plans for institutional reform.

● Helmut Kohl, the German chancellor, expressed confidence that EU leaders would reach a decision on the ECB presidency at the summit next month, Peter Norman reports from Bonn. Mr Kohl refused to make any detailed comment on the issue, but he said he expected the decision would be a wise one. "You can reckon on a good result," he told a news conference.

# Italy's budget a guarantee of good Emu behaviour

The Treasury minister's draft is designed to reassure EU partners and keep the left quiet at home, reports **James Blitz**

After years of doubt about Italy's chances of qualifying for Europe's economic and monetary union, Carlo Azeglio Ciampi, the treasury minister, yesterday began a debate in parliament on an outline budget for 1999 that should seal the country's membership.

The document traditionally sets the broad parameters for restructuring the public finances ahead of a full-scale debate on the finance bill in the autumn. This year the outline budget has been drawn up to assure other European Union members that Italy will not begin a spending spree if it is given the green light to adopt the single currency, the euro, at the EU summit in Brussels next month.

The initial signs are that Mr Ciampi – who carries considerable personal credibility in EU circles – will convince his counterparts of his commitment to budgetary rigour. The outline budget suggests Italy should reduce its overall debt burden by 2001 by around 14 percentage points to 107 per cent of gross domestic product.

Achieving this has required the mildest budgetary adjustment Italy has seen for years. Much of the reduction will come about because of the impact of lower interest rates on debt servicing.

In an attempt to seal the support of hawks in Germany and the Netherlands, Mr Ciampi has gone to considerable lengths to ensure that the document is ratified by the budget commission of the Italian parliament before the final decision on Emu entrants is taken at the EU summit.

Although ratification will not guarantee that the finance bill goes through all its stages this autumn, the budget commission's backing for the document will mean that the Reconstructed Communists (RC), who provide Romano Prodi's government with its parliamentary majority, have signed up to the budget's broad aims.

Winning over the communists has not been easy. While Mr Ciampi has been trying to look rigorous in Brussels, they have made life uncomfortable for the government back home by demanding leftwing policies.

A demand by Fausto Bertinotti, the group's leader, that the privatisation programme should be slowed down has been partly conceded. The government makes no mention in the outline budget of its plans to privatise Enel, the electricity giant, next year.

The communists, meanwhile, have grudgingly conceded that the government should reduce its stake in Eni, the oil and gas conglomerate, to 35 per cent this summer. But the government has been forced to make clear that it will keep a "golden share" in Eni that allows it to control board appointments.

However, the Reconstructed Communists have clearly lost out on labour policy. In recent months, Mr Bertinotti had been pressing for a huge boost to employment in the south – at one stage he demanded the creation of a state agency that could immediately deliver 100,000 jobs.

Mr Ciampi has not acquiesced. He has resisted pressure from Mr Bertinotti to make a commitment to bring unemployment down from 12.5 per cent to below 10 per cent by 2001. Treasury officials insist that it is not possible to make concrete predictions on employment when some 5m people work in the black economy.

The outline budget is committed instead to boosting the southern economy by means of dozens of new entrepreneur schemes, giving selected employers flexibility over wages and employment policy. Enterprise schemes like these are anathema to the communists, who favour state-sponsored job creation.

Mr Bertinotti has swallowed such tough medicine on labour policy partly because the government recently decided to satisfy another of his core demands by introducing legislation on a 35-hour week.

He is also in a weak political position. His group is divided over strategy and dares not provoke a crisis before the Brussels summit.

But there is still time for further conflict with Mr Ciampi. Mr Bertinotti may not be so keen to back the government when the finance bill comes before parliament in six months' time.

Carlo Ciampi: the treasury minister has resisted leftwing pressure to give pledges on reducing unemployment levels Reuters

**Italy: Getting to Grips with the Budget**

Italian government budget forecasts

| Years | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| Budget deficit to GDP ratio | 2.7% | 2.6 | 2.0 | 1.5 | 1.0 |
| Overall debt to GDP ratio* | 121.6% | 118.2 | 114.6 | 110.9 | 107.0 |
| Primary budgetary surplus to GDP | 6.8% | 5.5 | 5.5 | 5.5 | 5.5 |
| Interest payments on debt as proportion of GDP | 9.5% | 8.0 | 7.5 | 7.0 | 6.5 |
| Real GDP growth | 1.5% | 2.5 | 2.7 | 2.9 | 2.9 |

Source: Documento di Programmazione Economica e Finanziaria 1999-2001 *Including privatisation receipts **excluding interest payment

# Nato in Tirana talks on Kosovo

By Guy Dinmore in Belgrade

A Nato crisis team arrived in Tirana yesterday for talks with the Albanian defence ministry after clashes on the border with Serbia's southern province of Kosovo that have raised fears of a wider Balkan conflict.

The delegation, sent by Javier Solana, Nato secretary general, was expected to discuss Albanian requests for help in containing the crisis.

Official Serbian media said that on Sunday Albanians bringing weapons on horseback over mountains south of the Serbian town of Djakovica opened fire on Yugoslav border guards and then withdrew, leaving behind automatic weapons and ammunition. No casualties were reported. Yugoslav troops were also reported to have clashed with smugglers in the same area last Thursday, capturing large quantities of arms.

Pavle Bulatovic, the Yugoslav defence minister, has accused Albania of supporting ethnic Albanian "terrorists" in Kosovo.

The Albanian government denies the charges. Ministers have accused Belgrade of instigating the incidents ahead of a meeting of the six-nation contact group that is expected to impose further sanctions on Serbia in response to its killing of civilians in Kosovo.

Senior officials of the US, Russia and the four main European powers are to discuss the Kosovo crisis in Rome on April 29. Washington is pressing for a freeze of Yugoslav and Serbian government funds abroad if Slobodan Milosevic, Yugoslav president, does not meet the contact group's demands to withdraw special police units and include foreign mediators in talks that have yet to begin between Belgrade and the Kosovo Albanian leadership.

Defying the demands of the international community, Mr Milosevic has called for a referendum to be held throughout Serbia on Thursday. Voters are expected to back Belgrade's rejection of any foreign involvement in talks on Kosovo.

Special Serbian police units launched an offensive against militants of the Kosovo Liberation Army (KLA) in late February. More than 80 people, many of them civilians, were killed in the Drenica region of central Kosovo.

Tensions are rising in the western area of Decani near the border with Albania where residents say masked soldiers of the Yugoslav army have surrounded several villages with artillery.

The Serbian authorities said yesterday that 120 Serbian families had fled their homes in the Decani region after attacks overnight by ethnic Albanian militants. Local Albanian officials feared the evacuation could herald a renewed offensive against rebels.

# Defending the tongue of Goethe

By Ralph Atkins in Bonn

Angst over English has never been a German trait. For years, the country observed with *Schadenfreude* France's fight against adopted English words, taking pride that at least some Germanisms have travelled the other way.

Until now. The Institute for German language has been moved to act by an English language invasion that has accompanied the opening of the telecommunications market this year. In a acerbic letter to Ron Sommer, chairman of Deutsche Telekom, the institute says the telecoms giant is allowing the language of Goethe and Schiller to decay in a "grotesque manner".

The object of its complaint are "quasi" and "pseudo" Anglicisations used for Deutsche Telekom services such as CityCall, HolidayPlus-Tarif, GlobalCall and GermanCall.

"The trendy vocabulary that you try to present as specialist terms to your customers has the effect of repulsing many people, and is treated by others as a joke or as short-lived as trendy Anglicisms of cheap department stores and tour operators," writes Professor Gerhard Stickel, the institute's director.

It took some provoking before the institute acted. As Professor Stickel acknowledges, "language purism" in German does not have a good tradition and even the institute is unwilling to follow France's example of laying down laws against Franglais. It long gave up the battle to have *Fernsprechapparat* used instead of *Telefon* (although Germany has managed largely to resist the "ph" spelling of the English telephone).

But the use of English in the telecoms industry is widespread – and not just at Deutsche Telekom. Mannesmann Arcor, the recently launched group partly owned by the Mannesmann conglomerate, uses the slogan "the telephone people". O.tel.o, owned by the Veba and RWE conglomerates, strives "for a better understanding".

Ulf Bohla, o.tel.o chairman, says: "Telecommunications is an international business so it is quite natural that we also use an international slogan... We want people to understand each other better – not just in Germany but around the world."

The language institute warns, however, that Anglicisations and Americanisations are the biggest sources of complaint by native speakers about the evolution of their language – and that resistance is not limited to the old. Even young Germans often associate "call centre" with prostitutes rather than information technology.

In response, Deutsche Telekom says it has tested the acceptance of its product names but found widespread support. "We are a business that represents Germany around the world in one of the most important businesses of the future – a business that is being shaped by international competition and new technology. The use of Anglicisations is a feature that is apparent in all countries – it is an expression of the *Zeitgeist*."

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## NEWS DIGEST

### GERMAN ELECTION

## Kohl says Europe issue inspired him to stand

Helmut Kohl, the German chancellor, said yesterday Germany's future in Europe was the prime reason he was standing for an unprecedented fifth term in the general election on September 27.

"It is about important responsibilities, not about personal ambition," Mr Kohl told journalists. He was conscious that Germany's position as the biggest power in the European Union was not viewed with unalloyed joy by its partners.

He said it was his duty to ensure that neighbouring countries would accept Germany's role, which would be exercised in a spirit of "rational partnership" rather than through hegemonic domination as in the past.

He said many hopes were pinned on Germany, which will take over the EU's six-month rotating presidency at the start of 1999. Germany had a big part to play in an EU that was assuming an ever more important role outside Europe.

Mr Kohl said he also had an obligation to improve the situation in the former communist eastern Germany. He put reform of Germany's income tax system high among the priorities of his next government. **Peter Norman, Bonn**

### RED ARMY FACTION

## Guerrilla group disbands

The Red Army Faction (RAF) urban guerrilla group that rocked Germany with bombings and assassinations of politicians and businessmen in the 1970s and 1980s, said yesterday that it had formally disbanded.

"The RAF emerged from a liberation action nearly 28 years ago on May 14, 1970. Today we are ending this project. The urban guerrilla group in the form of the RAF is now history," it said in a statement. German security sources said the eight-page, closely typed statement looked authentic. It said the RAF had failed to develop the movement from its origins in the 1960s protest movement. "It was a strategic error not to build up a social-political organisation next to the illegal, armed one," it said.

In 1977 the RAF kidnapped and killed the industrialist Hanns Martin Schleyer as part of its campaign of assassinations, kidnappings and bombings against prominent Germans and US military personnel. **Reuters, Bonn**

### CROATIAN PRESS

## Libel charge rejected

In a case seen as a test of media freedom in Croatia, a court in Zagreb yesterday acquitted the former editor of an independent magazine accused of libel by the entire cabinet for writing about alleged corruption in the government.

Davor Butkovic, editor-in-chief of Globus at the time of the contested article last September, faced up to eight years in prison if convicted. His magazine quoted from a report by Kroll Associates of the US which had described the government of President Franjo Tudjman as "corrupted and highly influenced by organised crime".

Mr Butkovic's defence lawyer said more than 130 libel cases were pending against Croatian journalists following the introduction of a tough new media law in January.

Judge Ranko Marijan, rejecting the government's case, defended the public's right to information and said a conviction would have had a chilling effect on the rights of journalists in Croatia. The US State Department, in a recent report on human rights in Croatia, questioned the independence of the judiciary and accused the government of using the courts to shut down or restrain critical newspapers and radio stations. **Jared Manasek, Zagreb**

### VENICE IN PERIL

## City warned of daily flood

Venice could be submerged in high water every single day by the middle of the next century as a result of a combination of subsidence and global warming, a UK charity will warn today.

A conference organised in London by the Venice in Peril Fund will hear that St Mark's Square, one of the city's best-known landmarks, was flooded 79 times in 1996, compared with just seven times a year at the beginning of the century.

The fund has convened flood and climate change experts to explore the risks facing Venice, the Netherlands, and parts of the UK and the Mediterranean as a result of a possible rise in sea levels due to global warming. The fund, which has spent the past 27 years helping to restore the architectural splendour of Venice, said it planned to investigate "wider risks" facing the city. It accused Italian authorities of failing to take a decision on building fixed flood barriers for the city, which lies at sea-level. **Leyla Boulton**

### SWEDISH POLITICS

## Party set for new leader

Sweden's Centre party, tipped as a possible kingmaker in the general election in September, is set to elect a new leader who has hinted that he may loosen links with the ruling Social Democrats.

Lennart Daleus was yesterday named as the preferred candidate for the post by the Centre's nomination committee. He is likely to be elected leader at a party conference in June.

Mr Daleus is best known for his fierce opposition to nuclear power, having led the Centre's successful campaign for decommissioning in a 1980 referendum.

Under Olof Johansson, who announced his resignation earlier this month, the Centre has supported the minority Social Democratic government since 1995, giving it a parliamentary majority. The alliance bridged traditional Swedish political divides but was mistrusted by many Centre voters.

Mr Daleus last night hinted at considerably looser links with the SDP, saying his priority was a centrist government. He suggested he was open to a coalition with the main conservative opposition Moderate party, provided the coalition was not Moderate-led. **Greg McIvor, Stockholm**

### CHECHNYA

## President names ambassadors

The separatist republic of Chechnya has begun naming ambassadors to foreign countries in a move aimed at boosting its international standing, according to the Interfax news agency.

Chechnya fought a two-year war for independence from Russia, but the conflict ended in 1996 without resolving the republic's status. No country, including Russia, has recognised Chechnya as an independent country.

Chechen officials have repeatedly taken actions designed to assert their sovereignty. They have issued passports and licence plates, established their own Islamic courts, and refused to recognise Russian customs or air traffic control officers.

Chechnya "has never tried to conceal its intentions to become a full-fledged member of the international community as an independent state," a spokesman said yesterday. Russia's foreign ministry yesterday said the Chechen president's order naming the ambassadors was illegal. **AP, Moscow**

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**GERMAN ECONOMY** WAGE BILL DROPS IN EAST FOR FIRST TIME SINCE UNIFICATION AS COMPANIES COME UNDER PRESSURE TO CUT JOBS

# Bundesbank records earnings fall in east

By Andrew Fisher in Frankfurt

Total east German wage and salary earnings fell last year for the first time since unification eight years ago, as companies sought to meet intense cost and competitive pressures by cutting jobs, the Bundesbank said yesterday.

It blamed "exaggerated pay rises" for overburdening the economy and worsening job prospects. Net wages and salaries in the region fell by 3.2 per cent in 1997, the German central bank said in its monthly report.

Its comments come just before Sunday's elections in the east German state of Saxony-Anhalt, where high unemployment is a big issue. The result will give a foretaste of September's general election, in which Chancellor Helmut Kohl, head of the governing centre-right coalition, will be up against Gerhard Schröder, the popular and newly anointed candidate of the opposition Social Democrats.

The Bundesbank said higher pension and health insurance contribution rates accounted for part of the drop in east German incomes; gross earnings were down 2 per cent. The decline was offset to a lesser extent than in previous years by government transfer payments, private business activities and earnings on investments.

Although savings had doubled since unification, east German households' financial assets, averaging DM50,000 ($27,777), were still only a third of those in west Germany. However, they had partly caught up, since eight years ago their financial assets were a fifth of those in west Germany.

The Bundesbank noted that purchasing power was higher in east than in west Germany – mainly as a result of cheaper rent – though the difference had diminished considerably in recent years. Services were also cheaper.

After steady economic growth after unification – helped by extensive state subsidies – east Germany was now in a difficult phase of consolidation, the Bundesbank said. Its economy had become less dynamic since 1995 and no progress had been made last year in matching west German performance.

Wage costs had been exceeding productivity since 1994, with businesses mostly meeting cost and competitive pressures by shedding labour. The high volume of transfer payments (DM186bn last year) and subsidies had helped east Germany's development, but the limits of such massive financial assistance were now clear.

At the end of last year, 1.49m people were registered as unemployed in east Germany on a seasonally adjusted basis, 270,000 more than the year before. The running down of state-funded job creation schemes exacerbated the trend. The unemployment rate was 18 per cent.

Unemployment was due to be on the agenda yesterday when Chancellor Helmut Kohl (above) held a CDU party meeting in Bonn to discuss strategy for September's general election Reuters

# Big denomination euros will prove a hit with Mafia

The need to keep German politicians happy will result in high-value notes ideal for black market deals. **Wolfgang Münchau** explains an embarrassing dilemma

**Preparing for Emu**

The key role played by dollar and D-Mark banknotes in the international drug trade and other underground criminal activities has made the Mafia one of the biggest "customers" of the US Federal Reserve and the German Bundesbank.

With the launch of Europe's economic and monetary union only a few months away, some economists are asking whether the future European Central Bank should also try to win customers in the underground economy.

The issue is a serious one. The underground economy holds an estimated 50 to 75 per cent of the cash in circulation.

The planned issue of euro banknotes in large denominations up to E1,000 (around $1,100 at current exchange rates), combined with an anti-inflationary bias in monetary policy, could make the euro an ideal tool for payments in the black and underground markets.

Large-denomination notes, such as DM1,000 or $100, are not used in many domestic transactions but account for a substantial proportion of the total money in circulation. US $100 bills account for 60 per cent and DM500 and DM1,000 bills for 44 per cent of their respective currency supplies and a large proportion is used by the Mafia, drug traders and local tax evaders. This cash is the source of huge profits, known as seignorage, for central banks. Seignorage arises because the banks issue cash against interest-bearing securities. Since cash earns no interest, central banks earn "free" interest for each banknote in circulation. The greater the amount of cash in circulation, the greater the seignorage profits. A simple calculation suggests that for a US currency volume of $400bn, at average interest rates of 7 per cent, annual seignorage income is about $28bn. As half of US currency is held abroad, this suggests that foreigners pay about $14bn in forgone interest rates to the Federal Reserve each year – and this is what makes the drug lords loyal customers of the Fed.

Kenneth Rogoff, an international economist at Princeton University, has investigated the issue of seignorage in some detail*. He makes a provocative comparison: "If a Colombian drug lord offered a medium-term, zero-interest loan to the US Treasury in return for access to a superior smuggling and hoarding technology, presumably the offer would be refused.

"Yet such an agreement is implicitly entered when criminals are offered the convenience and anonymity of large-denomination bills."

**The underground economy, domestic and abroad, holds an estimated 50 to 75 per cent of the cash in circulation**

Mr Rogoff argues that the decision of the European Monetary Institute, the ECB's forerunner, to issue large-denomination banknotes amounts to an "aggressive step towards grabbing a large share of developing country demand for safe foreign currencies."

He says that the ECB's pursuit of price stability will make holding cash still more attractive. If the euro were to gain equal status with the dollar as the preferred currency of the underground economy, it would imply a one-off shift to the European currency of about $50bn to $100bn.

But Mr Rogoff concludes that seignorage does not pay for the economy as a whole. The availability of high-denomination currency encourages domestic tax evasion, which could outweigh the gains from seignorage.

Mr Rogoff proposes the abolition of high-denomination banknotes, which are hardly used in legal transactions.

But Mr Rogoff's analysis ignores the largely political reason for issuing high-denomination banknotes.

The Emi made its decision at the behest of German politicians and central bankers, who were hard-pressed to convince a sceptical public that Emu did not constitute a currency reform.

The deciston to let the denominations of euro bills mirror those of their D-Mark equivalents was part of a ploy to create an impression of continuity.

**Kenneth Rogoff, Blessing or curse: Foreign and underground demand for euro notes, in Emu: Prospects and Challenges for the Euro, edited by David Begg, Jürgen von Hagen, Charles Wyplosz, Klaus F Zimmermann, Blackwell Publishers, 1998.*

Euro in Action, Page 27

# Integration of markets could boost growth

By Andrew Fisher

Increased integration of European capital markets after the introduction of the single currency could stimulate higher economic growth rates, the Bundesbank said yesterday.

Growth would increase if structural changes in capital markets led to more savings and increased investment activity, according to the Bundesbank's monthly report. It said monetary union would stimulate greater competition among investors, issuers and financial intermediaries such as banks, brokers and stock exchanges. That would lead to product innovation, the development of new market techniques and improvements in infrastructure.

The Bundesbank said an integrated Emu capital market would be big enough to decouple itself from US trends but credible monetary policies would be needed to achieve this. The Bundesbank said the German capital market – continental Europe's largest – had gained in size and efficiency and was well prepared for Emu. But integration of capital markets after Emu would be especially significant for Germany, because the D-Mark would disappear as a globally recognised "seal of quality" for German financial products.

Despite the rapid growth of the capital market, banks still played a big role in financing German industry, according to the Bundesbank. Much of the bond issuance in the 1990s had been for the public sector, notably as a result of unification. The importance of the stock market was also exaggerated by large increases in share prices since 1996.

The Bundesbank did not expect demand for bank loans to be overshadowed by a rise in corporate bond issues.

# Business focuses on defusing 'bomb'

By Alan Cane

European companies are cancelling or delaying the development of business applications software to devote resources to tackling the millennium computer "bomb", according to the head of Europe's largest computer services group.

Geoff Unwin, chief executive of the Paris-based group Cap Gemini, said he had been correct in predicting in February that demand for computer staff capable of defusing the bomb would outstrip supply by this month.

"It is horrifyingly difficult to get hold of resources now," he said.

He was launching the latest Cap Sogeti review of the preparedness of European companies for the millennium date change.

The bomb is the result of programming techniques which mean most computers cannot tell one century from another and may therefore behave in unpredictable ways after 1999.

The study indicates that one in seven organisations in Europe and the US are unlikely to be ready in time. Germany, Finland, the Netherlands and Belgium are most at risk. The study notes: "Although the problem in other countries, particularly France, Spain and Denmark, appears to be less severe, these countries could be in danger of underestimating the size and cost of the problem."

Cap Sogeti estimates the cost of fixing the bomb in Europe and the US at $717bn, of which only $199bn has already been spent.

The US seems to be furthest ahead with 31 per cent of its budget spent compared with only 16 per cent in Italy and 16.9 per cent in Germany.

Mr Unwin said he was surprised by the results for Germany, which seemed to indicate that 74 per cent of German companies could miss the deadline.

# Russia denies reports of Kurile islands deal

By Chrystia Freeland in Moscow and Michiyo Nakamoto in Tokyo

Russia yesterday rebuffed Japanese reports that Moscow was considering relinquishing sovereignty over the disputed Kurile Islands, reigniting a conflict that has marred relations between the Pacific neighbours for more than 50 years.

Japanese newspapers yesterday reported a potential breakthrough in the dispute over the four islands, known as the Northern Territories in Japan, which were seized by the Soviet Union in 1945, an occupation that Tokyo views as illegitimate.

Citing anonymous government sources, Japanese dailies said that during a weekend summit meeting with Russian President Boris Yeltsin, Ryutaro Hashimoto, the Japanese prime minister, had proposed drawing a new border between Russia and Japan north of the four disputed islands.

Such a plan – which would in effect recognise Japanese sovereignty over the islands – would be a huge coup for Tokyo. But Russian officials immediately denied they were considering ending control over the sparsely populated but strategic territories.

"Russia has a constitution in which the situation on... inviolability of its lands is set out and the president is the guarantor of these principles," Sergei Yastrzhembsky, the Kremlin spokesman, said.

Japanese officials also refused to confirm press reports of the bold new proposal from Tokyo. "This is nothing more than pure speculation," Minoru Tamba, deputy vice minister at Japan's Foreign Ministry, said yesterday.

The speculation was sparked by the mysterious announcement over the weekend that, during the Russo-Japanese summit meeting, Mr Hashimoto had put forward a new initiative for resolving the conflict over the islands.

Neither side officially offered any details of the plan, which Mr Yeltsin described as a "serious new proposal" towards the two nations' stated goal of signing a peace treaty by 2000.

Such a deal would be a landmark in relations between the two countries, which have yet formally to end their second world war hostilities, but it will be achieved only if the islands dispute is resolved.

If the Japanese newspaper reports of the proposal are accurate, the Japanese plan does not make specific reference to ownership of the islands themselves, in an effort to avoid antognising Russian nationalists.

Japan, in turn, would recognise Russian administrative authority over the four islands for a designated period during which the two sides could co-operate in developing the islands.

# Visit underlines unease over Japan-China ties

By Michiyo Nakamoto in Tokyo

The Chinese vice president, Hu Jintao, arrives in Tokyo today for a six-day visit that will bring to the fore the underlying unease in Sino-Japanese relations.

Mr Hu's visit, which is part of a number of activities planned to commemorate the 20th anniversary of the Sino-Japanese Friendship Treaty, is unlikely to involve in-depth talks on any of the thorny issues that have soured bilateral relations in recent years.

Superficially, relations between the two countries have been warm as economic ties have deepened and personal exchanges over the years have helped increase understanding of each other's political sensitivities.

The present Japanese government is the most nationalistic of the four administrations this decade. However, it has refrained from making public statements questioning evidence of Japan's war atrocities in China – a subject which arouses strong feelings in China and has forced the resignation of a number of Japanese ministers in the past.

But beneath the surface of calm, there are several issues which are potential sources of friction.

First is the recently strengthened US-Japan defence co-operation, which calls for Tokyo to support US military forces "in situations in areas surrounding Japan". The Chinese government interprets this as a direct challenge to its position on Taiwan and has repeatedly sought assurances that the defence co-operation guidelines are not directly specifically at China.

Second is an unresolved dispute over several islands in the south of Japan, known as the Senkaku Islands in Japan and the Diaoyu Islands in China, which has raised nationalistic tempers on both sides of the East China Sea.

Japan is concerned, too, about growing political relations between China and the US. China's insistence that it would not devalue in response to the Asian financial crisis has been hailed by the western community as a sign of responsible regional leadership. In contrast, Japan has been criticised for its lack of initiative in helping Asian neighbours recover from the financial crisis.

China has probably strengthened its political clout as a result, while Japan has damaged its international image.

China is Japan's second largest trade partner after the US, while Japan is China's largest trade partner. In the past 25 years, trade between the two countries has grown 58-fold to $64bn in 1997.

Mr Hu will meet the Japanese foreign minister, Keizo Obuchi, as well as leading politicians from both the ruling and opposition parties.

**MINISTER SACKED** TAMIL NADU POLITICIAN USES ANTI-CORRUPTION STANCE TO FURTHER AIMS IN HOME STATE

# Local feuds shape New Delhi politics

By Amy Louise Kazmin in New Delhi

India's new prime minister, Atal Behari Vajpayee, sacked his communications minister yesterday in a move widely viewed as an attempt to appease a powerful partner in the disparate coalition government.

J. Jayalalitha, a former movie starlet turned political power-broker, had demanded the resignation of Buta Singh and two other ministers for alleged corruption.

The dismissal of Mr Singh comes three days after the Supreme Court ruled that the minister could be criminally prosecuted for his alleged involvement in a parliamentary bribe scandal in 1992.

Mr Vajpayee's political adviser, Pramod Mahajan, said at a press conference that no one with pending corruption charges would be allowed to hold public office in the coalition government led by the Bharatiya Janata Party (BJP). Good governance was a key issue campaigning issue for the BJP.

"If charges of corruption are framed by a court of law against any person holding public office, the prime minister is of the firm view that the person concerned should step down from office until exonerated," Mr Mahajan said.

Ms Jayalalitha said the ministers should go because a member of her regional party had been forced to step down because of corruption allegations against him.

Mr Singh's departure, say analysts, is unlikely to satisfy Ms Jayalalitha, who may step up her campaign to achieve her aim of bringing about the removal of the state government in her home state of Tamil Nadu. She is likely to keep up a steady stream of tough demands, aimed at making life difficult for the BJP, until it accedes to her request.

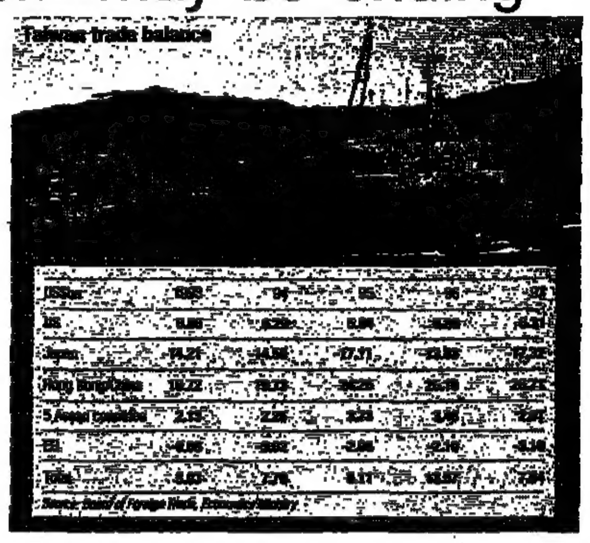
Ms Jayalalitha, a former chief minister of Tamil Nadu, was swept from power in the 1996 elections under a cloud of corruption charges, and her state is now ruled by a rival Tamil party.

"Her main thing is not about the ministers," a BJP source said. "Her main thing is about getting rid of the party in Tamil Nadu. Until that is done, she will keep on doing all kinds of things. This is one trick of keeping up the pressure."

The current turmoil does not bode well for the future of the BJP-led coalition, which includes more than a dozen small parties, many of which hope their association with the bigger party will benefit them in state-level political rivalries. A couple more coalition partners have also issued demands for the dismissal of the local governments in their home states.

# Taiwan fears its years of export boom may be ending

**Laura Tyson** finds that faltering sales abroad are slowing economic growth



Taiwan's days of large trade surpluses may be nearing an end as Asia's financial crisis begins to restrain exports and threatens to hold back economic growth.

Exports fell 6.4 per cent on the year in the first quarter of 1998 while imports were flat, chalking up a rare trade deficit of US$70m against a surplus of US$1.8bn in the first quarter of 1997.

The government aims for 4 per cent export growth this year, but finance ministry officials warned this target may be hard to meet.

Private economists suggest the economic gloom in Japan and across the region could torpedo Taiwan's trade balance into deficit this year for the first time since 1975.

Exports to Asia were the hardest hit, with exports to south-east Asia sliding 27.1 per cent and those to Japan falling 23.7 per cent in the first quarter of 1998.

In spite of the alarming numbers, both government and private analysts remain sanguine about Taiwan's prospects. Relative strength in the domestic economy and the favourable structure of exports will help shield Taiwan from the worst of the fallout from the region's financial turmoil.

The economy may be affected later in the year by uncertainties over key elections, but the launch of public works such as a US$15bn high-speed rail project, combined with the island's high-technology juggernaut, will help buoy growth.

"The economic fundamentals of this country are still good," said Chen Ruey-long, director general of the economics ministry's Board of Foreign Trade. "Since we are less affected than other countries we are in a strong position to maintain our market share in exports or even make gains."

Mr Chen said the export performance in Asia was predictable given the currency and banking turmoil in the region, and expects exports to those markets to pick up in the second half.

The government forecasts 6.18 per cent growth of gross domestic product this year, down on 1997's 6.81 per cent but far better than for most of its financially stricken neighbours.

The respected Chung Hua Institute for Economic Research last week lowered its forecast from 6.37 per cent to 5.95 per cent. "We still have our market niche," maintains Chou Chi, chief economic forecaster, reflecting a more gloomy prediction by the International Monetary Fund. Our export structure is favourable in this environment."

He notes that 70 per cent of Taiwan's exports to south-east Asia are industrial materials and machinery. Unlike consumer goods, these products are vital to the economic revival in those countries, which are under international pressure to cut current account deficits by boosting exports.

Mr Chou regards the chaos in the region's trade as short-term and predicts Taiwan's overall exports, including goods and services, will grow 8.24 per cent in 1998 against 8.96 per cent last year.

Other analysts are less optimistic. Duncan Wooldridge, economist at Merrill Lynch, expects export growth to contract by 3 per cent this year and predicts economic growth will dip to 4.9 per cent.

"The financial crisis is causing demand to collapse in Asia, Japan is very weak and the US economy is probably going to slow as well," he said. "It is unlikely that the sharp reduction in exports to south-east Asia can be compensated for by other regions." He expects the Taiwan dollar will weaken and last year's US$7.6bn trade surplus will be slashed by half.

Stephen Wang of HSBC James Capel said the surplus could be wiped out if the government makes large weapons purchases this year and export growth climbs just 1 or 2 per cent.

With parliamentary and mayoral elections later this year, political factors may also weigh on the economy, but monetary authorities may respond by easing financial liquidity in the second half provided inflation fears recede.

Mr Wang predicts the economy will grow 6.15 per cent on the basis of strong private investment and stable private consumption. He notes that net exports are just 5 per cent of GDP so the fall in exports to Asian markets will not have a substantial impact on the overall economy.

The high-speed rail and other infrastructure projects, combined with continued capital investment by the semiconductor industry, will lift private investment from 10 per cent in 1997 to 12 per cent this year, Mr Wang predicts.

Textile and petrochemical exports have suffered from the crisis but the electronics sector is less affected, as its main markets are the US and Europe.

## NEWS DIGEST

**DOMESTIC INVESTORS MAY BE LET IN**

### China to boost foreign currency share market

Zhou Zhengqing, head of China's stock market regulatory body, said yesterday that measures would be taken to stimulate the country's hard currency, "B-share" market. "We are going to take some steps to develop the B-share market," Mr Zhou, chairman of the China Securities Regulatory Commission, said at the annual World Economic Forum meeting in Beijing.

Stock market analysts said that the methods used to boost the B-share market might involve allowing limited participation by domestic investors, as long as they were able to invest in foreign currency. Such participation – which is now banned but in fact widespread – could be channelled through Chinese mutual funds, they added.

The poor performance of B-share markets in Shanghai and Shenzhen, set against gains in the domestic A-share market, is preventing companies from raising capital to expand. This is vexing for the government, which has pledged that restructuring its troubled state-owned sector would be completed within three years. **James Kynge, Beijing**

**HONG KONG COURT**

### Extradited banker charged

Ewan Launder, the former Hong Kong banker who was extradited from Britain at the weekend, was yesterday charged with 13 counts of corruption at a court in the territory. No plea was taken, and bail was granted. The case was adjourned until May 4. Mr Launder is alleged to have accepted a total of HK$43.95m (US$5.67m) worth of bribes in return for showing favour in making loans to the Carrian and Eda group of companies. At the time Mr Launder was chief executive of Wardley (now HSBC Investment Banking).

Some charges stretch back 18 years, and relate to the collapse of the Carrian group, which folded in late 1983 with an estimated net debt of US$1bn. This was Hong Kong's biggest corporate scandal and took more than a decade to unravel.

Mr Launder returned to Hong Kong on Saturday, escorted by police officers, after losing a court battle to stop his extradition. **Louise Lucas, Hong Kong**

**JOB CREATION MEASURES**

### Hong Kong unemployment rises

Hong Kong's unemployment rate jumped to near-record levels in the three months to end-March, prompting the government to launch schemes to tackle the problem. Unemployment rose to 3.5 per cent, up from 2.9 per cent in the three months to February, according to data released yesterday.

The figures, the highest since 1995 when unemployment peaked at 3.6 per cent, underlined the impact of the Asian financial crisis on Hong Kong. The subsequent slowdown in the territory's economy has resulted in job losses across the retail, construction, manufacturing and investment banking sectors.

Tung Chee-hwa, Hong Kong's chief executive, set up a task force headed by Donald Tsang, financial secretary, to explore ways of creating jobs. **Louise Lucas in Hong Kong**

**JAPANESE TESTS**

### Dementia drugs 'not effective'

Four drugs for treating dementia which have been on sale in Japan for more than a decade may not be effective, according to clinical trials ordered by the Japanese government. Results of the trials will not be given to the Ministry of Health and Welfare until tomorrow, but leaked reports say that four out of the five drugs retested performed no better than placebos. Approval for the drugs could be withdrawn.

The drugs in question are Avan, made by Takeda Chemical Industries, Elen from Yamanouchi Pharmaceutical, Alnert from Fujisawa Pharmaceutical and Hextol from Hoechst Marion Roussel. The tests apparently confirmed the efficacy of one product, Sermion, made by Tanabe Seiyaku.

Falls in sales of around 15 per cent a year had already been factored into earnings expectations for the companies and withdrawal of the licences would just accelerate the process, analysts added. **Bethan Hutton, Tokyo**

**CHINESE MOVE** 'PATRIOTIC' CATHOLIC OVERTURE TO APPEASE US RELIGIOUS LOBBY

# Vatican urged to cut Taiwan links

By James Kynge in Beijing

China's catholic church said yesterday that Pope John Paul would be "welcome" to visit China as long as the Vatican first switches its diplomatic recognition from Taiwan to mainland China.

Fu Tieshan, the bishop who heads the Chinese Catholic Patriotic Association, which pledges loyalty to China's government and does not recognise the Pope's authority, said that once the Vatican's attitude to international relations had been improved, other bilateral issues could be resolved.

"We would welcome (the Pope) but the problems between Beijing and the Vatican are political problems, especially the Taiwan problem," said Bishop Fu. "We want the Vatican to quickly break off relations with Taiwan."

Diplomats said the timing of the overture appeared designed to deflect criticism from US religious groups before a US-China summit in Beijing in June, and before the annual review by Congress of China's Most Favoured Nation (MFN) preferential trading status.

Beijing feels that signs of a new more liberal line will help neutralise opposition to a warming in Sino-US relations at the summit, the diplomats added.

The longer-term aim of the move, though, is the continued diplomatic isolation of Taiwan, which China sees as a renegade province.

The call on the Vatican to break ties with Taiwan comes just as Taipei was preparing to send a heavyweight negotiator to Beijing to end a 33-month impasse in bilateral talks. Jan Jyh-horng, deputy secretary general of Taiwan's Straits Exchange Foundation, was expected to arrive in Beijing this week.

Some religious commentators in Beijing said that part of China's strategy in wooing the Pope was to indicate that a ban on proselytising outside churches could be eased in return for the Vatican's recognition of the Chinese Catholic Patriotic Association.

There are only about 4m registered catholics in China out of a population of 1.2bn. The removal of most of the ideological content from China's Communist party over the last two decades may have made catholicism's opposition to the Chinese Catholic Patriotic Association somewhat less implacable, commentators said.

But there remains a key stumbling block. The underground catholic church in China, which is headed by elderly bishops appointed by Rome before the Communist victory in 1949, would be sidelined if the Pope was to recognise the "patriotic" Chinese church.

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**EUROPEAN BANANA REGIME** FARM MINISTERS TO AGREE NEW IMPORT ARRANGEMENTS BY JUNE

# Brussels' new banana plan finds support

**By Michael Smith in Luxembourg**

European Union nations yesterday signalled broad support for controversial proposals to reform the EU's banana import regime, in spite of objections from the US and reservations among countries including France and Germany.

Although details have yet to be finalised, the European Commission said discussions at a meeting of European farm ministers suggested an agreement would be reached in June by member states on reforming the banana regime to comply with World Trade Organisation rules.

Last September the WTO upheld a complaint by the US, Honduras, Guatemala, Ecuador and Mexico that the EU's preferential treatment of bananas from African, Caribbean and Pacific (ACP) countries discriminated against Latin American exporters.

It gave the EU until January to comply with its ruling.

Mr Franz Fischler, EU farm commissioner, told agriculture ministers yesterday they had to agree a deal at their June meeting to meet the WTO deadline. He urged member states to be constructive.

None of the ministers spoke against his proposals in spite of concerns they had previously expressed. Commission officials said this meant there was no serious alternative.

The Commission's proposal would maintain the banana quota available to Latin American countries at 2.2m tonnes at a tariff of Ecu75 ($81.75) a tonne. It would establish a further quota of 353,000 tonnes at a duty of Ecu300 a tonne to take account of EU enlargement.

It would also abolish the current import licensing system and replaced it with one the Commission says is WTO-compatible.

The US says the Commission system would increase protectionism. ACP quotas would be able to grow at the expense of Latin American countries, it says.

France opposes the additional 353,000 tonnes quota, saying it would lead to an over-supply of bananas in the EU and a fall in prices. Along with other banana producers it wants compensation for EU banana growers. One French diplomat said yesterday, however, that the battle between member states over whether the Commission regime was WTO compatible was over, and the Commission's general ideas were supported.

The German government is among several which want a system involving tariffs but abolishing quotas. However, it is thought to be prepared to compromise, providing any solution is compatible with the WTO ruling.

It also wants any licensing arrangements to be regulated by EU nations rather than the Commission.

Banana importing countries including Sweden, Denmark, the Netherlands, Belgium and Luxembourg, want the duty on the additional 353,000 tonnes to be lower than the Commission has suggested.

The Commission said it believed its differences would be resolved by June, although officials said it would fight its corner hard.

# Fallow times for Soviet era tractors

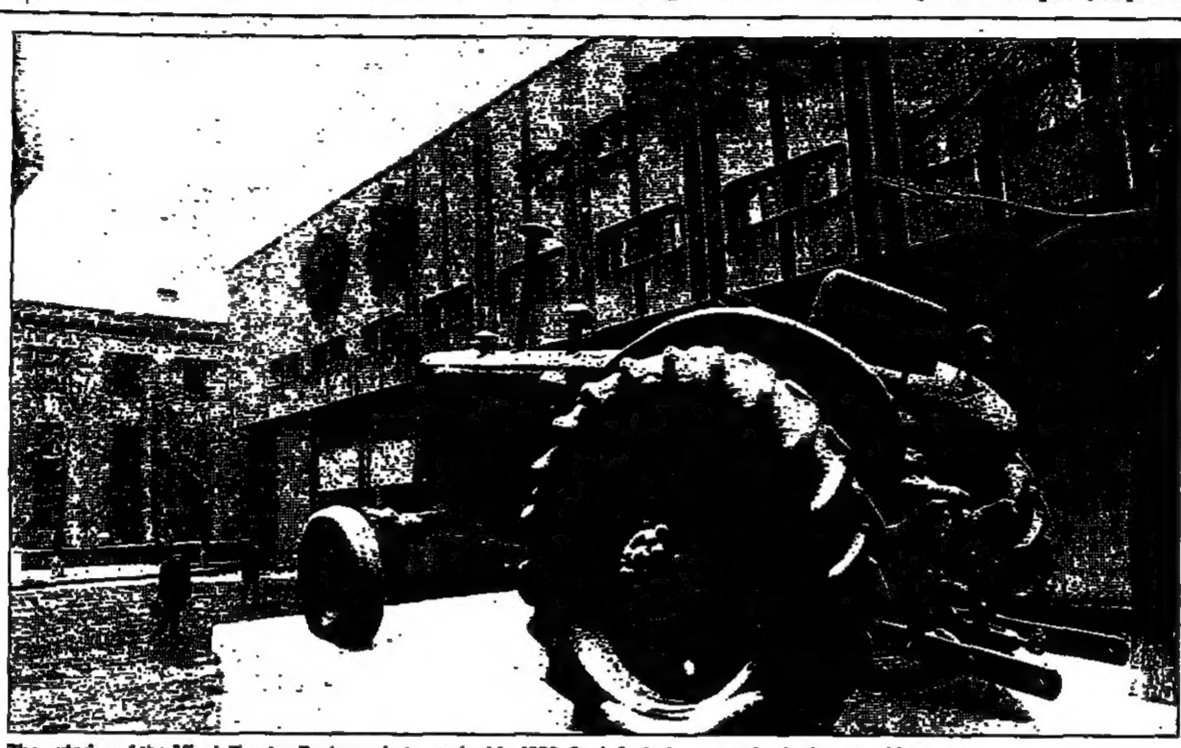
**By Peter Marsh**

Tractor production in the former Soviet Union has fallen on sorry times. Production last year fell to just 11 per cent of the 1990 figure as Soviet-era tractors have failed to match the standards of western-made machines.

According to Off-Highway Research, a London-based consultancy, tractor plants in the former Soviet Union face huge problems of overcapacity, over-staffing, lack of production technology and marketing expertise.

Part of the difficulties lie in the upheavals facing agriculture. Farmers lack cash for new machines – and when they do have any money they often find the designs made by western producers are better for the job.

The tractor plants in the former Soviet Union also lack investment funds to buy up-to-date machinery and components such as diesel engines, according to Off Highway Research.



The exterior of the Minsk Tractor Factory, photographed in 1990. Such factories are today in deep trouble. Tony Andrews

In the 1980s the Soviet Union was by some way the biggest tractor maker in the world.

Even in 1990, Russia and other former Soviet countries made 436,222 tractors, according to the consultancy. But in 1997 this had dwindled to just 51,589 – a small improvement on the 45,934 the previous year when the industry, most of which is still government controlled, reached a nadir.

The biggest producer remains the MTZ Minsk tractor plant in Belarus, which last year made 31,023 vehicles or nearly half the entire output of the region. Its annual production is, however, only 30 per cent of the figure during the plant's heyday in the 1980s.

The second biggest plant is the Tashkent Tractor Plant in Uzbekistan which made 3,000 machines last year. One of its best known models is a special three-wheeled tractor – similar in philosophy to the famous Reliant Robin car produced in the UK for motoring enthusiasts – and which is used in cotton harvesting.

The KhTZ Kharvov plant in the Ukraine is well known by tractor aficionados for its 160 HP K-150 tractor models, some of which are produced as a "crawler" design with tracks similar to those of a tank. But production last year dropped to only 12,281 – a fraction of the 41,455 made in 1990.

Russia's best known tractor factory is the heroically named VTZ Vladimir plant which also makes diesel engines and made 1,632 tractors last year, down from 31,500 in 1990.

A particularly sad fate has befallen the Kirovsky Zavod plant in St Petersburg – best known for heavy duty tractors used not just in agriculture but hauling loads on roads. Production there slumped to only just above 1,000 last year, from 19,200 eight years earlier.

*Construction Equipment Market Report, Off Highway Research, available on subscription from 7 Upper St Martin's Lane, London WC2H 9DL*

# Bechtel in $600m Croatian road deal

**By Jared Manasek in Zagreb**

Croatia's ambitious plans to build 2,000km of motorways to provide rapid access to Croatian ports and coastal resort areas from central Europe have taken a big step forward with the signing of a $600m deal with Bechtel, the US construction group.

The agreement is for the construction of a four-lane 120km motorway which will run from the Slovenian border to Zagreb, the Croatian capital, down to the border with Bosnia. The exact course of the subsequent extension to the coast remains to be decided.

The agreement was signed by Bechtel's senior vice-president, Charles Redman, and the Croatian minister for reconstruction and development, Jure Radic, in Dubrovnik last month on the second anniversary of the air crash near Dubrovnik that killed Stuart Tholan, a top Bechtel executive, and Ron Brown, the US commerce secretary. Mr Brown and several leading executives of US companies were on a trade mission seeking business opportunities in the region.

Initial plans for the continuation of the highway through Bosnia and down the Croatian coast to Split and Dubrovnik were changed last year when the Croatian government decided to follow an alternative and longer route around Bosnia.

But in December last year the government reversed its decision and announced co-operation with the government of Bosnia on continuation of the project. But the final route of the highway is subject to further change.

"We don't have any commitment to do anything in Bosnia at this point," Mr Redman said. "This is a stand-alone project in its simplest form."

Construction is expected to start in July pending the arrangement of bridging finance and will continue to 2002.

Bechtel will work with the Turkish construction company Enka, but has agreed that at least half of the contract value will be spent on local content and the project will employ up to 16,000 workers.

Financing for the project is expected to be in place in the next six months. Eximbank, the US export credit agency, will finance the import of $200m worth of construction equipment, with the remaining $400m expected to be in the form of government-guaranteed commercial loans. There could be some involvement from European or other credit agencies, Mr Redman added.

The Eximbank credits are the first major credits the US has extended to Croatia, but the agency is gearing up for further investment in Croatia, including part of a DM179m ($98m) contract for the rehabilitation of a thermal co-generation plant signed by Parsons of the US last month.

The extension of the highway along Croatia's Adriatic coast is crucial for the development of Croatia's tourism industry. Croatia earned more than $2bn from tourism last year but the industry is still suffering from the combined effects of the 1991-95 war and a slow economic restructuring process.

In the past six months, Croatia has signed several smaller motorway construction deals worth a total of $800m with Walter Bau of Germany, Astaldi of Italy and the French company Bouygues.

# Home-grown insurers in China see gains from entry of foreign rivals into their local market

Business has become more competitive but now there's much more of it, report **James Harding and John Ridding**

As the ranks of foreign insurers in China look set to swell with the admission of the first UK company and the anticipation of approval for an Australian insurer, it would be understandable if domestic Chinese insurance companies were squealing.

Instead, they are all but welcoming. The gradual liberalisation of the insurance market in Shanghai, the testing area for financial services reform in China, may have eroded their market share, but it has fired up the market and multiplied premium income.

This happy coincidence has underlined the capacity of foreign companies to foster consumer demand in China and prod long-cosseted state industries into adopting modern, competitive business practices.

As China considers the potential strains of entry into the World Trade Organisation and the costs of opening its heavily protected market for financial services, the insurance sector suggests that corporate China could prove a beneficiary, not a victim, of gradual liberalisation.

As long, that is, as China proves able to grant its homegrown businesses enough commercial freedom to keep up with the new standards of competition.

At the beginning of the 1990s, the People's Insurance Company of China (PICC) was effectively the monopoly supplier of insurance policies in Shanghai.

Today, the PICC is battling nearly a dozen competitors, some wholly foreign-owned, others Sino-foreign joint ventures and a few domestic rivals, for business in Shanghai.

The rash of new competition has sent PICC's market share plummeting. Last year, PICC's life insurance sales accounted for 46 per cent of the market, having recovered after the group's restructuring into three separate entities – life, general and reinsurance – in 1996, when PICC market share of the life business had slumped to 38 per cent.

But the fall in market share has been more than offset by soaring revenues. Premium income, both life and general, has grown from Yn1.1bn in 1991 to Yn8.7bn ($1bn) last year.

As the life insurance industry has emerged as the fastest growing and most lucrative area of the insurance business in Shanghai, PICC Life has seen its income mushroom to Yn2.6bn last year.

"The liberalisation of the market has done much to promote our business," He Jingzhi, president of PICC Life in Shanghai, says. "When there was only one insurance company in the market, we could do what we liked, but now we have to improve our competitiveness to match the other insurance companies."

The story is similar at China Pacific Insurance, a domestic insurer allowed to operate in Shanghai since 1991 to inject a little competition into the market. Last year, Pacific Insurance boasted premium income of Yn732m.

Zhu Qing, general manager of Pacific Insurance in Shanghai, says: "The insurance industry in China is still in its infancy, so growth has been particularly fast."

But part of the explanation for the growth, he says, has come from the opening of the market to foreign firms that brought in "advanced selling techniques and international experience".

The liberalisation of China's insurance industry started with American International Group, the US company, which won an exceptional licence to sell life and general insurance policies first in Shanghai, then later in Guangzhou, southern China.

AIA, the company's subsidiary, brought the agency system to China in force, invigorating the dormant demand for life policies among China's prudent consumers and jolting the sleepy domestic providers of insurance policies into action.

Since then, a trickle of other insurers has been allowed into the market, typically on more restrictive licences that permit companies to do either life or general business, but not both, and often require a tie-up with a Chinese partner.

They are limited to doing business in Shanghai, where the government is operating what it calls a "trial" of foreign competition in the domestic market.

Foreign operators that have been allowed to do business in China now include Tokio Fire & Marine from Japan, Winterthur from Switzerland, Manulife from Canada, Allianz from Germany, Axa-UAP from France and Aetna from the US.

Last month, Zhu Rongji, China's prime minister, announced the imminent approval of a licence for the first British insurer, widely expected to be Royal & Sun Alliance, and insurers in Shanghai suggest an Australian licence is in the offing.

The arrival of more foreign insurers and the emergence of an increasing number of domestic ones has prompted consideration of another modest market opening: the admission of insurance brokers.

Senior officials at the People's Bank of China, the central bank, have recently indicated that they may shortly approve licences for one or two foreign insurance brokerage companies to set up joint venture companies in China.

Liberalisation has opened new avenues, but also put fresh strains on the domestic insurers. In particular, the market expansion, coupled with half-hearted reform of regulations restricting investments by insurance companies, is causing awkward pressures.

Investments by Chinese insurers are severely limited: for example, they can buy government bonds but cannot operate freely in the equities markets.

Ms He says that the PICC is not making a profit and "the main reason is that China's insurance law stipulates that we can only invest at the banks and in bonds, while the guaranteed interest rate we have to provide to our customers is higher".

"We have appealed to the government for greater investment channels," says Ms He.

Relaxing the restrictions on the investments of the insurance industry is, therefore, the next step in the reform process, one that could bring a new underpinning to stock markets in China, and foster a more mature financial services industry.

Another reform will the further transfer of the welfare burden of the state, for example health care, to the insurance sector. Industry observers hope new medical insurance policies will be allowed soon.

Meanwhile, China's domestic insurers are bracing themselves for a fiercer fight, as a few more foreign insurers join the fray and the giddy pace of growth looks set to slow.

As Mr Zhu explains: "In the past few years, the pace of growth has been extremely fast, but in the next few years that will be reduced. You can't expect someone who runs the 100m dash to keep up the same pace over a 3,000m course."

**The experience of the insurance sector suggests that corporate China could prove a beneficiary, not a victim, of the gradual liberalisation of its financial markets**

# US insurance chief seeks China licence

**By James Kynge in Beijing**

Dean O'Hare, chairman of the US insurance company Chubb said yesterday that he would regard a planned US-China summit in June as a failure unless two new insurance licences were awarded to American companies.

He said he hoped Chubb, which has been aggressively campaigning for a China licence, would be granted one. Only a handful of foreign insurance companies have so far been granted access to the fast growing but heavily protected Chinese market.

The sale of insurance premiums grew by 39 per cent last year to Yn108bn ($13bn). Analysts forecast that the market as a whole will grow from Yn38bn in 1992 to more than Yn250bn by 2000.

David Aaron, US under-secretary of commerce, said this month that insurance access was at the top of the US agenda for this summit. China and the US are currently in intense negotiations over what commercial concessions Beijing may grant and what it expects in return.

"If there are not two (insurance) licences, I will consider the summit a failure," Mr O'Hare said at the World Economic Forum meeting in Beijing.

**POLITICAL HEAVYWEIGHT** ARCHITECT OF TELECOM SELL-OFF AND CLOSE FRIEND OF PRESIDENT

# Motta death is heavy blow to Cardoso

**By Geoff Dyer in São Paulo**

Sérgio Motta, Brazil's communications minister, has died after suffering a lung infection, dealing a huge political and personal blow to President Fernando Henrique Cardoso.

With the death of Mr Motta, Mr Cardoso has lost the architect of the plans to privatise Brazil's telecommunications system, his principal dealmaker with congress, the organiser of his 1994 election campaign and his closest political friend.

The loss of Mr Motta will be most keenly felt on the political front. During important congressional votes, it was usually Mr Motta who was the government's main negotiator with deputies. "There is no one else in the government with his influence, his access or his persuasive powers," said Ricardo Pedrira, a political analyst in Brasilia.

The government is desperately trying to kick-start voting on the pension reform bill, a central part of its strategy. However, the bill risks being held over until after the election.

Mr Motta, who was 57, died just before midnight on Sunday after the infection aggravated an already serious lung disease. He had been in intensive care since April 10.

Both Mr Motta and Mr Cardoso were former leftwing activists in São Paulo and the two men had been close allies since the late 1970s. Mr Cardoso, who was due to attend the funeral yesterday in São Paulo, said: "His memory will serve as an inspiration for those of us who believe it is possible to change things."

With the death, Mr Cardoso's Social Democratic party (PSDB) has also lost its most forceful political operator and main electoral strategist. Often criticised for being dominated by intellectuals, Mr Motta was one of the few PSDB politicians who could defend the party's interests during the fierce in-fighting that Mr Cardoso's coalition periodically suffers.

The candidates within the PSDB to take up some of Mr Motta's functions include Tasso Jereissati, governor of Ceara, Mario Covas, the São Paulo governor, and José Serra, the health minister.

The privatisation of Telebrás, the state-controlled telecoms group, which is forecast to raise over US$20bn, is not expected to be significantly affected.

"The process is already well advanced and most of the important decisions have been taken," said Sérgio Missima, an analyst at Fator Securities in São Paulo.

Temporary replacements for Mr Motta were announced last week when his health began to deteriorate, with Juarez Quadros, Mr Motta's deputy, taking over as minister, and Luiz Carlos Mendonça de Barros, president of the National Development Bank, assuming responsibility for overseeing the telecoms sell-off.

Analysts believe it likely that the two men will continue in these roles until after the October general election but the government's already ambitious timetable for the privatisation, which it hopes to complete by July, might slip.

Bankers involved in the deal have expressed concerns that Mr Motta's absence had slowed decision-making. The government has still to announce the level of participation in the 12 new operating companies that foreigners will be allowed to take.

# IMF chiefs face a grilling from lone independent warrior of Capitol Hill

Bernie Sanders is taking on the might of the White House and most of the Senate. **Nancy Dunne** sets the scene for the battle

As a democratic socialist in the European mould, Bernie Sanders sometimes describes himself as the Sisyphus of Capitol Hill. Like the Greek mythical figure, he feels eternally condemned to making little headway.

But in today's Congress of shifting alliances, Mr Sanders – the only independent – has becoming increasingly effective as a bridge between Republicans and Democrats. His current target is the International Monetary Fund.

Together with Spencer Bachus, Republican chairman of the House banking subcommittee on oversight and investigations, Mr Sanders announced plans for a hearing today "to examine *the internal workings of the* IMF".

The star witness will be Karin Lissakers, the US executive director for the IMF. She will be grilled about her failure to vote against loans which do not promote workers' rights, protect the environment and indigenous people or promote dozens of other goals for the IMF, which Congress has set over the years in legislation.

"We want to know why US law is not being followed," said Mr Sanders, who rarely pulls his punches.

The real target is not Ms Lissakers but the $17.9bn funding which the administration is seeking from Congress for future IMF bailouts.

A bill appropriating the money has passed the full Senate and the House banking committee. It won House Democratic support by adding provisions requiring the US executive director to use her "voice and vote" to push for a more open IMF which invests in social programmes and supports collective bargaining. Mr Sanders and Mr Bachus will try to convince Democrats that trying to reform the IMF through congressional directives will be as futile as it has proved in the past.

"The IMF must become a far more open and accountable institution," he said. It "has enormous power over dozens of countries, but very few people – including the members of the US Congress – have an understanding of *the reasoning behind IMF* decision-making."

It is hard to imagine Mr Sanders and his allies among populist Republicans winning this particular battle against a determined administration, most of the Senate and Newt Gingrich, House Speaker. But he has pulled off many surprises to date.

The son of Polish immigrants, Mr Sanders was a leftwing activist at the University of Chicago during the turmoil of the 1960s. He later moved to Vermont and quickly joined the leftwing Liberty Union party, which nominated him four times to run for state-wide office. His efforts were unrecorded until 1981 when, running for mayor of Burlington, he canvassed the 40,000 voters so intensively that he beat the entrenched Democratic machine – by 10 votes.

Ignoring barbs about revolutionaries taking over in the once Republican state, Mr Sanders re-ordered the city's priorities. He created jobs, low-cost housing and a municipal childcare centre and shifted the tax burden from home owners to hotels, restaurants and companies using public facilities.

"My experience is that if you talk issues, propose ideas, and fight for ideas that make sense to the middle class and working families, people will respond," said Mr Sanders. "I'm not just an intellectual spouting off. As mayor, I created 5,000 jobs (in a city of 40,000) and doubled voter turnout because people felt part of the process. Even my worst enemies will tell you I was a good mayor."

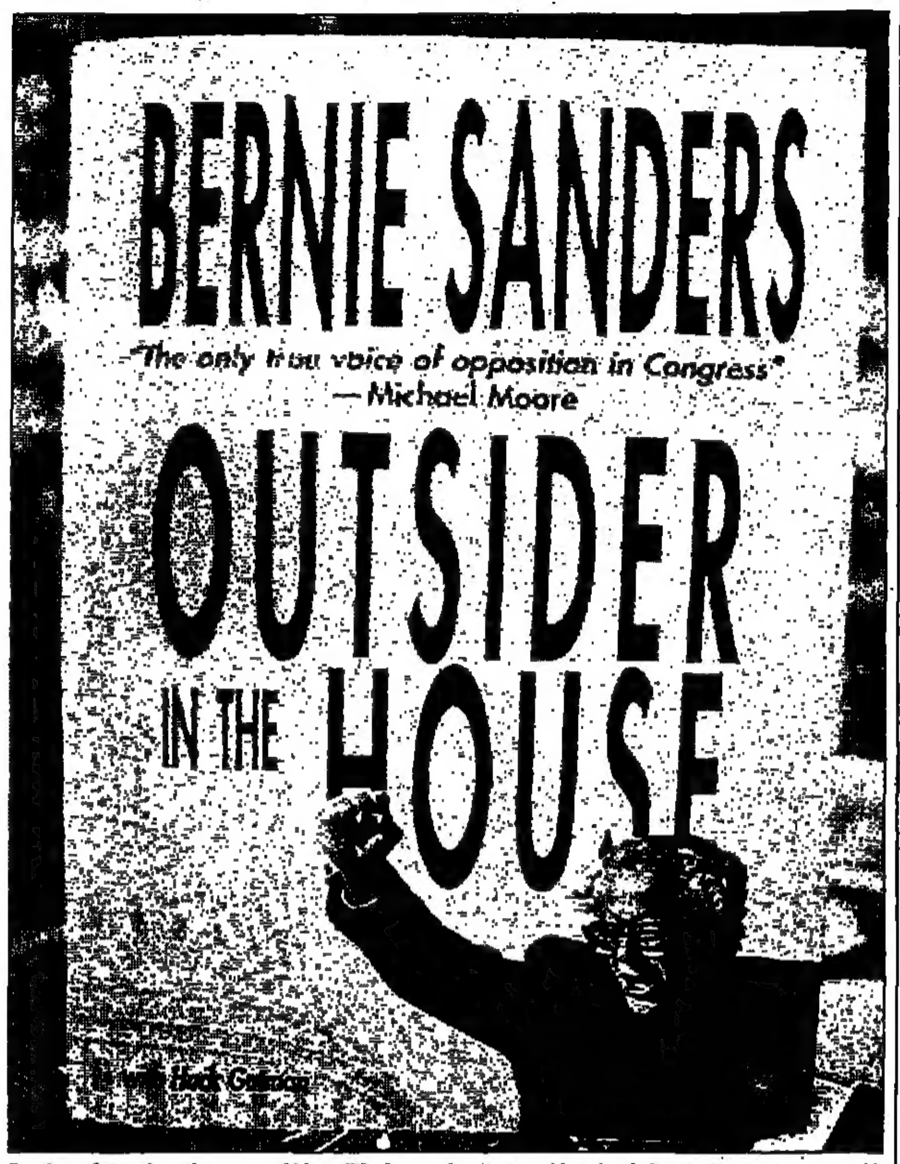
On coming to Congress in 1991, Mr Sanders formed the Progressive Caucus with four other members. After the Republicans took over Congress four years later, it expanded rapidly to 58 members, the largest in Congress. As its chairman, Mr Sanders has been omnipresent – working one day on legislation to help credit unions, the next against sweatshops, and on another for a rise in the minimum wage.

"I have been very saddened by the priorities of Congress," he said. "Time and again we ignore the needs of middle class and working families and end up doing the bidding of wealthy people in multinational corporations." Mr Sanders has been most successful in getting amendments passed, particularly on appropriations bills. When he pushes social programmes, he allies himself with Democrats. Opposing President Bill Clinton's bid for fast-track trade negotiating authority, populist Republicans joined the coalition and won.

"I don't think the political spectrum runs from left to right now as much as from top to bottom," said his wife, Jane Sanders, a community activist in Burlington. "People like to think it is a question of odd bedfellows, but it's who you represent: the people making a living from their own labour or the corporations?"

But Mr Sanders is preoccupied with the IMF bill. It is possible that it may not even be brought up alone for a House vote. It may be added in a House-Senate conference on a supplemental appropriations bill, included in a domestic disaster relief package, which would be hard to vote against, and then brought to the floor. This would be "an outrage".

"It is pretty clear that the function of the IMF is not in the interests of the poor in developing countries or working Americans," Mr Sanders said. "It is to protect multinational corporations and big banks which have made huge sums of money in Asia and see their loans and business going sour."



Sanders pictured on the cover of his political memoirs displayed in a bookshop in Vermont AP

## NEWS DIGEST

**NEW SKIES SATELLITE**

### Chief executive could be in place by end of May

An international team of headhunters hopes to have found a chief executive for the company that will be spun off from Intelsat, the inter-governmental satellite consortium, by the end of May. N.M. Rothschild, which is acting as financial adviser to Intelsat, is co-ordinating the search for a head of New Skies Satellites, which will be formed on July 1.

New Skies will start up with five satellites and one more under construction with a book value of an estimated $700m a year and revenue of $200m annually. It would look for private partners for its ventures, Intelsat officials said.

Andrew Brown, Intelsat vice-president, said the organisation, which provides voice, data and video services to over 200 countries and territories, would not spin off any more companies. Officials said that when staff were in place, decisions would be made about the location of the company's headquarters, financial strategy and perhaps, a new name.

Intelsat announced its plans last month after four years of negotiations, and under pressure from the US, which originally sought a complete privatisation of the consortium.
*Nancy Dunne, Washington*

**AIRLINE QUALITY**

### Complaints rise 20%

Air travellers are increasingly unhappy with US airlines, with official complaints by consumers rising 20 per cent last year to reach a monthly average of 8.6 for each 1m passengers, according to an independent study published yesterday.

The annual airline quality ratings, conducted by Nebraska and Wichita State universities, found that passengers rate customer service above loyalty to particular companies. Their complaints included problems with cancellations, delays and unfair advertising.

For the third consecutive year, Southwest Airlines was rated the top air carrier, while Alaska and Continental trailed far behind in second and third placings. Continental has substantially improved its rankings since 1994, when the company was rated the poorest quality airline in the US. That position is now held by US Airways. **Richard Wolffe, Washington**

**CREDIT RATING**

### Moody's downgrades Ecuador

New measures to cut Ecuador's budget deficit have run into political opposition after a top US rating agency cited political bickering as a principle reason for downgrading the country's prospects.

Moody's Investors Service downgraded its B1 foreign currency debt rating from stable to negative on Friday. It cited "serious concerns over a sharp deterioration in Ecuador's short-term prospects due to adverse external shocks and continuous political bickering between and within the legislative and executive branches".

The measures announced by the finance minister, Marco Flores, on Friday included a tax of 1 to 3 per cent on the value of all motor vehicles apart from public transport, elimination of some value-added tax exemptions, a contribution of two or four days' salary according to income by all public and private sector workers, public spending cuts of $50m and a one-off tax on production. **Justine Newsome, Quito**

**COLOMBIA STRIKE**

### Unions protest against murder

Colombia's leading public sector unions held a 24-hour national strike yesterday in protest against the murder on Saturday of a human rights lawyer.

The public sector oil workers union USO, which includes some 10,000 active and retired workers of the state oil company Ecopetrol, began the strike at 6am. Joachim Gomez, general manager of Ecopetrol's principal oil refinery at the river port of Barrancabermeja, said petroleum and gas distribution had been seriously affected. But he added that the company's reserves were sufficient to last 24 hours.

Ecopetrol executives expressed concern the union might opt to prolong the strike. Hernando Hernandez, USO president, said the strike's length was in the hands of the unions involved in the protest. **Adam Thomson, Bogotá**

# Mexican reforms are set for a stormy passage

Opposition parties will not rubber-stamp Zedillo's proposals, writes **Leslie Crawford**

Zedillo: faces opposition

President Ernesto Zedillo's financial reforms are headed for a protracted, stormy passage through Congress as opposition parties balk at the cost of rescuing Mexico's ailing banks.

Government officials had hoped the legislative package, which includes a request for 552bn pesos ($65bn) to pay for the bail-out, would have its first reading in the lower house before the end of the present session on April 30.

But opposition parties, which control the Chamber of Deputies, have seized on the opportunity to hold the first, full-blown debate on the government's handling of Mexico's financial crisis, and say they will not rubber-stamp Mr Zedillo's proposals.

"There will be no fast-track for the government's financial reforms," says Dolores Padierna, a deputy for the leftwing Revolutionary Democratic Party (PRD). "The government is proposing a complete overhaul of Mexico's financial system. We need more time to study the initiative."

There are 11 bills before Congress, which government officials describe as the cornerstone of Mr Zedillo's economic programme for the remaining three years of his six-year presidency.

They include proposals to give the Bank of Mexico full control over exchange rate policy, strengthen banking supervision, and amend banking laws to remove all restrictions on foreign ownership of Mexican banks.

Congressmen have raised objections to all of the above, but the most controversial aspect of the package relates to the Bank Deposit Insurance Fund, known as Fobaproa, which injected significant amounts of capital to prop up insolvent banks. Fobaproa also acquired hundreds of billions of pesos of bad loans in a three-year bailout of the banking sector.

The government wants to transfer the 552bn peso cost of the rescue operation, currently off-balance sheet, on to the governments books, and for this it needs the approval of Congress.

But the sum, which equals 14.5 per cent of gross domestic product and which was disclosed for the first time when the finance bills were sent to Congress, has staggered legislators.

If Congress approves the funds, Mexico's public debt will rise from 27.9 per cent of GDP to 42.2 per cent.

"It is a huge sum to approve in one go," says Marcelo Castelo of the conservative National Action party (PAN).

"We want a blow-by-blow account of how bankers were allowed to off-load their bad assets on to the government. The operations could hide a multitude of sins, including fraud and money laundering," he said.

Marcelo Ebrard, an independent congressman, said: "The president of Mexico has always enjoyed unlimited economic and political power. Where else in the world can a president freely dispose of 14.5 per cent of gross domestic product and then ask Congress to sign a blank cheque? The banking crisis underscores the lack of accountability of the executive. It is unacceptable and it must change."

Ms Padierna, of the PRD, added: "Taxpayers are being asked to foot the bill for mistakes made by bankers and the government. There are alternatives. The government could become a shareholder of troubled banks, and then sell them when the financial system is in better health."

But Martin Werner, deputy finance minister, says nationalisation was not an option at the height of the 1995 financial crisis. Taking over banks that had been privatised only three years before would have compounded the problem.

In addition, Mr Werner says most bankers paid dearly for the privilege of cleaning up their balance sheets at the government's expense.

# Clinton plea on tobacco bill

**By Mark Suzman in Washington**

President Bill Clinton yesterday warned Congress not to be deceived by the "smokescreen" put up by the tobacco industry and urged passage of a tough anti-tobacco bill currently being considered by the Senate.

In a brief press conference, Mr Clinton criticised complaints by tobacco companies that the legislation might bankrupt them, and said that the $516bn proposal sponsored by John McCain, chair of the Senate Commerce Committee, was a "strong step in the right direction".

"It is time for the type of comprehensive approach to the problem that Senator McCain takes," Mr Clinton said. "This is not a time for half measures."

Mr Clinton's comments follow growing indications that the House of Representatives is planning a narrower anti-tobacco bill that would have more limited financial penalties. Over the weekend Newt Gingrich, House speaker, dismissed the Senate proposal as a "big government" bill. He said he favoured using any additional tobacco revenue for tax cuts rather then to fund new government programmes.

Earlier this month, tobacco companies declared war on the bill after having agreed last year to pay out $368.5bn over 25 years and accept tough advertising restrictions in return for protection from big state law suits.

## INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

**UNITED STATES**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1987 | 105.6 | 100.7 | 103.9 | 98.4 | 76.1 |
| 1988 | 109.9 | 103.2 | 106.8 | 100.2 | 71.0 |
| 1989 | 115.2 | 108.5 | 109.9 | 101.9 | 74.9 |
| 1990 | 121.5 | 113.9 | 113.5 | 104.9 | 73.2 |
| 1991 | 126.6 | 116.3 | 117.3 | 108.4 | 74.1 |
| 1992 | 130.4 | 117.7 | 120.1 | 108.3 | 74.0 |
| 1993 | 134.3 | 119.2 | 123.1 | 109.8 | 76.4 |
| 1994 | 137.6 | 119.9 | 126.5 | 108.5 | 74.1 |
| 1995 | 141.7 | 122.2 | 129.7 | 108.2 | 68.7 |
| 1996 | 145.8 | 125.4 | 133.9 | 108.2 | 73.3 |
| 1997 | 149.2 | 125.9 | 138.1 | 108.2 | 78.8 |
| 1st qtr.1997 | 2.9 | 2.1 | 3.6 | −0.3 | 77.9 |
| 2nd qtr.1997 | 2.3 | 0.4 | 2.9 | −0.6 | 78.1 |
| 3rd qtr.1997 | 2.2 | −0.1 | 2.7 | −1.4 | 79.1 |
| 4th qtr.1997 | 1.9 | −0.7 | 3.4 | | 79.9 |
| April 1997 | 2.5 | 0.8 | 2.8 | −0.7 | 79.3 |
| May | 2.2 | 0.4 | 3.0 | −0.7 | 77.7 |
| June | 2.3 | −0.1 | 2.8 | −0.9 | 77.4 |
| July | 2.2 | −0.2 | 2.5 | −1.2 | 78.3 |
| August | 2.2 | −0.2 | 2.8 | −1.8 | 79.7 |
| September | 2.2 | 0.0 | 2.7 | −1.5 | 79.6 |
| October | 2.1 | −0.3 | 3.5 | | 79.1 |
| November | 1.8 | −0.7 | 3.4 | | 79.5 |
| December | 1.7 | −1.2 | 3.2 | | 81.3 |
| January 1998 | 1.6 | −1.8 | 2.9 | | 82.0 |
| February | 1.4 | −1.6 | | | 81.0 |
| March | 1.4 | −1.8 | | | 81.3 |

**JAPAN**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1987 | 101.3 | 92.5 | 103.1 | 100.0 | 122.9 |
| 1988 | 102.3 | 92.3 | 107.8 | 96.0 | 131.0 |
| 1989 | 105.1 | 94.2 | 114.0 | 96.8 | 123.5 |
| 1990 | 108.3 | 95.7 | 120.1 | 99.7 | 108.2 |
| 1991 | 111.9 | 96.8 | 124.2 | 103.9 | 113.2 |
| 1992 | 114.0 | 95.9 | 125.6 | 112.8 | 114.5 |
| 1993 | 115.4 | 94.3 | 125.8 | 118.8 | 131.9 |
| 1994 | 116.2 | 92.6 | 128.4 | 118.5 | 137.3 |
| 1995 | 115.9 | 92.0 | 132.5 | 115.8 | 138.3 |
| 1996 | 115.8 | 90.4 | 135.8 | 113.3 | 118.6 |
| 1997 | 117.4 | 91.0 | 139.7 | 110.1 | 112.8 |
| 1st qtr.1997 | 0.0 | −0.9 | 5.2 | −5.0 | 110.0 |
| 2nd qtr.1997 | 1.5 | 1.3 | 2.9 | −4.5 | 114.2 |
| 3rd qtr.1997 | 1.7 | 1.3 | 2.7 | −2.8 | 117.5 |
| 4th qtr.1997 | 2.1 | 1.1 | 1.6 | 1.1 | 109.5 |
| April 1997 | 1.2 | 1.3 | 2.6 | −3.1 | 109.2 |
| May | 1.4 | 1.4 | 2.9 | −5.1 | 114.3 |
| June | 1.9 | 1.4 | 3.0 | −5.3 | 119.2 |
| July | 1.4 | 1.3 | 3.2 | −3.3 | 119.6 |
| August | 1.6 | 1.3 | 2.9 | −1.8 | 116.5 |
| September | 2.2 | 1.4 | 1.5 | −3.2 | 114.3 |
| October | 2.4 | 1.3 | 1.5 | −1.3 | 113.2 |
| November | 2.0 | 1.1 | 1.8 | 3.1 | 108.8 |
| December | 1.8 | 0.9 | 1.5 | 1.4 | 109.5 |
| January 1998 | 2.0 | 0.9 | −1.4 | | 107.9 |
| February | 2.0 | | | | 110.7 |
| March | 2.3 | | | | 108.1 |

**GERMANY**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1987 | 100.1 | 95.0 | 107.9 | 107.1 | 110.9 |
| 1988 | 101.4 | 96.2 | 112.6 | 106.9 | 109.9 |
| 1989 | 104.2 | 99.3 | 117.1 | 108.0 | 107.5 |
| 1990 | 107.0 | 101.0 | 123.5 | 110.3 | 108.9 |
| 1991 | 110.9 | 103.4 | 131.3 | 109.6 | 107.5 |
| 1992 | 116.5 | 104.9 | 138.2 | 115.3 | 110.0 |
| 1993 | 121.7 | 105.1 | 145.6 | 119.4 | 111.3 |
| 1994 | 125.1 | 105.7 | 150.8 | 112.1 | 109.8 |
| 1995 | 127.4 | 107.5 | 155.6 | 110.8 | 114.7 |
| 1996 | 129.3 | 107.1 | | 109.7 | 109.8 |
| 1997 | 131.5 | 108.2 | | 103.2 | 104.6 |
| 1st qtr.1997 | 1.7 | 0.6 | n.a. | −6.2 | 106.2 |
| 2nd qtr.1997 | 1.6 | 1.1 | n.a. | −5.0 | 105.1 |
| 3rd qtr.1997 | 1.9 | 1.4 | n.a. | −6.2 | 103.3 |
| 4th qtr.1997 | 1.8 | 1.1 | n.a. | −5.5 | 104.0 |
| April 1997 | 1.4 | 0.9 | n.a. | −4.9 | 105.3 |
| May | 1.6 | 1.1 | n.a. | −4.0 | 105.2 |
| June | 1.7 | 1.4 | n.a. | −6.1 | 104.6 |
| July | 1.9 | 1.4 | n.a. | −6.3 | 103.4 |
| August | 2.0 | 1.5 | n.a. | −4.1 | 103.0 |
| September | 1.9 | 1.4 | n.a. | −5.1 | 103.5 |
| October | 1.8 | 1.2 | n.a. | −6.2 | 104.0 |
| November | 1.9 | 1.2 | n.a. | −4.1 | 104.1 |
| December | 1.8 | 1.1 | n.a. | −6.2 | 103.7 |
| January 1998 | 1.3 | 0.7 | n.a. | | 103.7 |
| February | 1.1 | 0.7 | n.a. | | 103.2 |
| March | 1.1 | | n.a. | | 103.0 |

**FRANCE**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1987 | 105.9 | 98.1 | 107.8 | 103.0 | 104.7 |
| 1988 | 108.8 | 102.9 | 111.5 | 104.1 | 102.1 |
| 1989 | 112.6 | 108.2 | 115.8 | 106.2 | 99.7 |
| 1990 | 116.5 | 107.1 | 121.5 | 109.6 | 102.9 |
| 1991 | 120.2 | 105.9 | 127.1 | 113.4 | 100.7 |
| 1992 | 123.1 | 104.8 | 132.3 | 115.6 | 104.2 |
| 1993 | 125.6 | 101.6 | 135.6 | 118.1 | 106.6 |
| 1994 | 127.7 | 102.7 | 138.2 | | 106.1 |
| 1995 | 130.0 | 109.7 | 141.5 | | 108.1 |
| 1996 | 132.8 | 105.8 | 144.9 | | 106.2 |
| 1997 | 134.2 | 105.2 | 149.0 | | 102.1 |
| 1st qtr.1997 | 1.5 | −2.8 | 3.0 | n.a. | 103.4 |
| 2nd qtr.1997 | 0.9 | −0.8 | 2.7 | n.a. | 102.6 |
| 3rd qtr.1997 | 1.3 | 0.5 | 2.8 | n.a. | 100.2 |
| 4th qtr.1997 | 1.2 | 0.9 | 2.8 | n.a. | 102.0 |
| April 1997 | 0.9 | n.a. | n.a. | n.a. | 103.3 |
| May | 0.9 | n.a. | n.a. | n.a. | 102.7 |
| June | 1.0 | n.a. | n.a. | n.a. | 101.6 |
| July | 1.0 | n.a. | n.a. | n.a. | 99.5 |
| August | 1.5 | n.a. | n.a. | n.a. | 99.9 |
| September | 1.3 | n.a. | n.a. | n.a. | 101.3 |
| October | 1.1 | n.a. | n.a. | n.a. | 101.7 |
| November | 1.3 | n.a. | n.a. | n.a. | 102.1 |
| December | 1.1 | n.a. | n.a. | n.a. | 101.9 |
| January 1998 | 0.5 | n.a. | n.a. | n.a. | 99.8 |
| February | 0.7 | n.a. | n.a. | n.a. | 100.6 |
| March | 0.8 | n.a. | n.a. | n.a. | 100.0 |

**ITALY**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1987 | 111.0 | 102.2 | 111.6 | 105.5 | 102.1 |
| 1988 | 116.5 | 105.7 | 118.4 | 109.7 | 100.9 |
| 1989 | 124.2 | 112.0 | 125.8 | 112.3 | 105.1 |
| 1990 | 131.7 | 116.2 | 134.7 | 118.8 | 111.9 |
| 1991 | 140.3 | 120.0 | 147.9 | 129.6 | 113.1 |
| 1992 | 147.7 | 122.3 | 155.9 | 134.5 | 109.5 |
| 1993 | 153.9 | 126.9 | 161.6 | 136.9 | 95.2 |
| 1994 | 160.0 | 131.6 | 167.0 | 138.1 | 93.3 |
| 1995 | 168.6 | 142.0 | 172.2 | 138.1 | 90.3 |
| 1996 | 175.0 | 144.7 | 175.3 | | 101.9 |
| 1997 | 178.2 | 146.6 | 181.6 | | 102.6 |
| 1st qtr.1997 | 2.4 | 0.8 | 3.9 | n.a. | 104.0 |
| 2nd qtr.1997 | 1.6 | 1.2 | 3.8 | n.a. | 102.0 |
| 3rd qtr.1997 | 1.5 | 1.7 | 3.4 | n.a. | 101.7 |
| 4th qtr.1997 | 1.6 | 1.5 | 3.3 | n.a. | 102.6 |
| April 1997 | 1.7 | 0.8 | 3.9 | n.a. | 102.0 |
| May | 1.6 | 1.1 | 3.8 | n.a. | 102.2 |
| June | 1.4 | 1.6 | 3.7 | n.a. | 101.9 |
| July | 1.6 | 1.7 | 3.4 | n.a. | 101.5 |
| August | 1.5 | 1.7 | 3.4 | n.a. | 101.5 |
| September | 1.4 | 1.6 | 3.4 | n.a. | 102.1 |
| October | 1.6 | 1.6 | 3.4 | n.a. | 102.3 |
| November | 1.6 | 1.6 | 3.4 | n.a. | 102.9 |
| December | 1.5 | 1.4 | 3.2 | n.a. | 102.5 |
| January 1998 | 1.8 | 1.2 | | n.a. | 102.2 |
| February | 1.8 | 1.3 | | n.a. | 101.7 |
| March | 1.7 | | | n.a. | 102.0 |

**UNITED KINGDOM**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1987 | 107.7 | 104.9 | 116.3 | 106.2 | 94.6 |
| 1988 | 113.0 | 108.7 | 128.2 | 108.8 | 101.9 |
| 1989 | 121.8 | 113.9 | 137.2 | 114.1 | 100.5 |
| 1990 | 133.3 | 121.0 | 150.1 | 121.6 | 101.4 |
| 1991 | 141.2 | 127.5 | 162.4 | 127.9 | 104.4 |
| 1992 | 146.4 | 131.5 | 173.1 | 128.2 | 100.9 |
| 1993 | 148.7 | 136.7 | 180.9 | 127.6 | 93.1 |
| 1994 | 152.4 | 140.1 | 189.5 | 127.1 | 94.1 |
| 1995 | 157.6 | 146.0 | 198.0 | 131.7 | 90.7 |
| 1996 | 161.5 | 149.8 | 206.8 | 136.8 | 93.6 |
| 1997 | 166.5 | 151.5 | 215.8 | 143.3 | 109.4 |
| 1st qtr.1997 | 2.7 | 1.2 | 4.4 | 3.4 | 105.7 |
| 2nd qtr.1997 | 2.7 | 1.0 | 4.2 | 3.0 | 108.2 |
| 3rd qtr.1997 | 3.5 | 1.3 | 4.1 | 2.5 | 111.6 |
| 4th qtr.1997 | 3.7 | 1.0 | 4.6 | 4.1 | 111.9 |
| April 1997 | 2.4 | 0.8 | 4.0 | 1.8 | 106.0 |
| May | 2.6 | 1.0 | 4.3 | 3.6 | 107.6 |
| June | 2.9 | 1.1 | 4.4 | 3.4 | 109.2 |
| July | 3.4 | 1.3 | 4.0 | 2.4 | 114.1 |
| August | 3.5 | 1.4 | 4.4 | 2.6 | 111.7 |
| September | 3.6 | 1.2 | 4.0 | 2.5 | 108.8 |
| October | 3.7 | 1.1 | 4.6 | 3.7 | 109.7 |
| November | 3.7 | 0.8 | 4.9 | 4.3 | 112.8 |
| December | 3.6 | 1.0 | 4.5 | 4.3 | 113.3 |
| January 1998 | 3.3 | 0.8 | 4.6 | 5.2 | 113.3 |
| February | 3.4 | 0.7 | | | 113.0 |
| March | | 1.0 | | | 115.2 |

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

هكذا من الاصل

# Abacha set to be only candidate in Nigerian election

By Michael Holman, Africa Editor, in London

Sani Abacha, Nigeria's military leader, yesterday looked set to become the sole candidate in August's presidential elections, defying warnings that such a move might trigger further international sanctions.

Any hopes that the poll would be credible were dashed yesterday when delegates at the convention of the Grass Roots Democratic Movement meeting in the northern Nigerian city of Maiduguri voted for the 54-year-old general as their presidential nominee.

All five of the government sanctioned parties have now selected Gen Abacha, eliminating potential competition for the presidency in what is intended to be the last stage of Nigeria's transition to civilian rule.

Gen Abacha has not yet said he will contest the poll, but he has done nothing to discourage a campaign on his behalf.

The Transition Implementation Committee, responsible for the administration of the phased handover, said that the August 1 vote might instead become a referendum on Gen Abacha's candidacy.

"We should wait to know what the electoral law says," Khalifa Hassan Yusuf, a committee official said. "The natural option would be a referendum at which people will be allowed to vote either for or against."

But Nigeria's main opposition group, the United Action for Democracy, called on Nigerians to boycott all elections, starting with the poll for the National Assembly due to take place on Saturday.

"Abacha has commenced the definitive stages of his self-transformation agenda via the process of stage managed endorsement by political parties," the UAD said. "Unless the Abacha election programme is halted through democratic mass action, the nation will be presented with a disastrous *fait accompli*".

The credibility of the regime's promise to restore democracy to Nigeria by October 1 had already been undermined by its heavy-handed approach, including harassment of the opposition and the continued detention of chief Moshood Abiola, winner of the aborted 1993 presidential election, and retired general Olusegun Obasanjo, the country's respected former military leader. Limited sanctions including an arms embargo and a ban on visas for ministers of the regime, were imposed after the execution in November 1995 of Ken Saro-Wiwa and eight other community activists.

The latest development seems certain, however, to lead to calls for further measures. At the summit in Edinburgh last October, Commonwealth leaders warned that Nigeria, already suspended from membership, risked expulsion and the introduction of further sanctions including trade restrictions if the regime did not honour its pledge to return to democracy.

Oil exports of about 1.4m barrels a day account for more than 90 per cent of the country's foreign exchange earnings, but so far western governments have been reluctant to commit themselves to an oil embargo.

A range of other measures are under consideration, including a ban on air links, and freezing bank accounts of senior members of the regime. There are doubts, however, as to whether they would be effective, with Nigeria's neighbours likely to seek exemption from the travel ban while the regime officials will have had sufficient advanced warning to conceal or transfer any assets held abroad.

A further complicating factor is Nigeria's involvement in Sierra Leone where its troops have played a leading role in the restoration of civilian government and are responsible for security.

**OBITUARY** TREVOR HUDDLESTON

# Apartheid's turbulent priest

Trevor Huddleston, who has died at the age of 84, was a man of God, a monk, a socialist possessed of a deep faith in Christ and a consistent uplifter of the spirit. He held unwaveringly to his perception of humanity as an expression of the divine. He skilfully manipulated the great and the good in the interests of the wretched.

He saw God in everyone. Desmond Tutu recalls that when he was a boy of about eight, Father Huddleston swept past him and his mother, who was a cook in a hostel for black blind women. The tall white man in a big black hat and white flowing cassock doffed his hat.

"You could have knocked me down with a feather," Archbishop Tutu wrote many years later. "I couldn't understand a white man doffing his hat to a black woman, an uneducated woman."

Archbishop Huddleston was not without flaw. He visibly enjoyed fame, access to the media, a place on the world stage. This was never wholly vanity. The driving force was his consciousness that Christ became man, that to campaign for the betterment of the life of the dispossessed was an act of worship. This gave him the confidence to correspond with everyone, to knock on any door, as when he extracted the gift of a trumpet from Louis Armstrong for the then unknown African township boy Hugh Masekela.

It is a blessing that the angry young priest who fought against the destruction of Sophiatown after 1948 lived to see South Africa turn from apartheid to democracy, that he could celebrate the transformation. He was the first white to be awarded the ANC's highest honour, *Isitwalandwe*.

That was in 1955 when the Freedom Charter was adopted. In 1991 he was invited to re-open proceedings at the ANC's first conference after being unbanned. His commitment was total, even to the point of a certain blindness to the organisation's manifest faults.

His life cannot be understood outside its religious context. He was born in Bedford, England in 1913. His father, a naval officer, was absent in India, as, for many years afterwards, was his mother. He was brought up by an aunt, in a devout Anglo-Catholic home. As a boy he believed he would be called to the priesthood. He was sent to Lancing College, a favourite school for the sons of priests, and there, while not yet a man, he started to keep a rule of worship.

At Christ Church, Oxford, he knew he was to become a monk. Following the 19th century Oxford Movement of Keble, Pusey and Newman, he saw the Mass as central to the act of worship. In mid-life, when Bishop of Masasi, Tanzania, he could be seen performing the ritual in full regalia, his great jewelled mitre making him even taller. The balletic ceremony filled the mud-walled churches of Masasi's outlying districts.

After Oxford and a year abroad he studied at Wells theological college and in 1936 became a curate in Swindon. Three years later, aged 26, he went to Mirfield, seat of the Community of the Resurrection. There, in 1941, he took the monastic vows. He kept the offices, on his knees in prayer for some hours every day, for the rest of his life.

In 1943 he was sent to South Africa, to head the community mission in Sophiatown. What happened next is recounted in *Naught for Your Comfort*, a book that opened the eyes of the outside world to the evils of apartheid. It was there that he led his first campaign, against the forced removal of blacks from Sophiatown, and made his first decision of high political principle, which was to close the church school rather than hand it to government control and an inferior "Bantu" syllabus. The character of Father Vincent in Alan Paton's *Cry, The Beloved Country* is drawn from Huddleston in South Africa.

In pursuing these struggles he formed lifelong friendships with Oliver Tambo and Nelson Mandela and many distinguished figures in the anti-apartheid movement and beyond. This made him deeply unpopular with most white South Africans, and the Nationalist government. In Britain the establishment regarded him as a trouble-maker, then as ever after. The Archbishop of Canterbury reproached him for his tactics. In 1955 he was recalled to Mirfield, forced to leave his loved and adopted home by his vow of obedience.

The rest of his life was given focus by the continuing struggle against racial oppression. He never achieved high clerical office in Britain. The church, which he believed should be disestablished, did not know how best to use his passion. He was sent to the bishopric of Masasi in 1960. He became a friend of President Julius Nyerere, and a myriad of Tanzanian children. Most people who know him will retain the memory of a laughing Huddleston, a happy child or two on his knee.

In 1968 he returned to become suffragan Bishop of Stepney. He was ideally qualified to minister to the poor of east London, knowing well the meaning of the antipathy towards the Asian and West Indian parts of the population.

Father Huddleston: 'It is a blessing that the angry young priest who fought against the destruction of Sophiatown after 1948 lived to see South Africa turn from apartheid to democracy' Tony Andrews

In 1978, aged 65, he moved again, to become bishop of Mauritius and Archbishop of the Indian Ocean. The presence of Moslems, Hindus and Buddhists in his super-diocese contributed to his growing appreciation of other faiths, an ecumenism that developed as he grew older. He returned to London in 1983 to sparse rooms at St James's, Piccadilly, taking, among other appointments, the presidency of the Anti-Apartheid Movement.

Until the end he lived the life of a monk, maintaining the disciplines of his Community, and regularly going home to Mirfield. He remained in touch with public affairs, always alert to opportunities to exploit the media in the interest of his now international flock. The TV pictures of his joyous reception of the news of the ANC's election victory touched many hearts. He died with the flame of his great crusade, the betterment of the human condition for the love of Christ, held high.

**Joe Rogaly**

## NEWS DIGEST

**CONFERENCE ON IRAQ**

### Britain's humanitarian move comes under fire

The Arab League has criticised a humanitarian conference on Iraq which opened in London yesterday, and Syria, Jordan, Turkey and Russia decided not to send delegates to the two-day meeting.

Backed by the UK presidency of the EU, the conference is seeking ways donors and non-governmental organisations can complement the United Nations oil-for-food programme, under which Iraq can sell oil to buy food and medicine.

But the conference has been attacked by Baghdad as a British political manoeuvre and some officials fear that Iraq's reaction to the conference could end up undermining the oil-for-food programme and Iraq's relations with the United Nations.

The Arab League said a humanitarian meeting on Iraq should be held under the auspices of the UN and that it should include Iraq, the concerned party. Ironically, the only Arab country of those invited which agreed to attend the meetings is Kuwait, whose 1990 invasion by Iraq led to the UN imposed sanctions.

In opening remarks yesterday, Clare Short, British international development secretary, said the aim of the meeting was to help improve the conditions of people in Iraq. She agreed with the UN assessment on the need to target nutritional security in central and southern Iraq. **Roula Khalaf, London**

**AID TO AFGHANISTAN**

### Taliban rejects UN official

The United Nations refused to send negotiators to Afghanistan yesterday after the Taliban religious army rejected the team's leader, throwing into jeopardy a multimillion dollar UN aid programme to the war-racked nation.

The UN has substantially reduced aid to parts of Afghanistan the Taliban control and completely ended it in the north, where bloody infighting within the anti-Taliban alliance had made it unsafe for UN workers.

The Taliban accuses Alfredo Witchi-Cestari, the UN co-ordinator for humanitarian aid to Afghanistan, of showing "disrespect to national religion, culture and tradition."
**AP, Islamabad**

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CONFERENCE ON IRAQ

Britain's humanitarian move comes under fire

AID TO AFGHANISTAN

Taliban rejects UN officia

NEW BUILDIN

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# Curb sought for US online music sales

By Alice Rawsthorn in London

The UK music industry is considering ways of preventing US-based internet retailers from selling albums and singles by mail order to UK consumers.

Record companies in the UK are increasingly concerned about the risk of losing sales to US sites, such as CD Now, Music Boulevard and the online subsidiaries of conventional retailers including Tower Records.

Most US internet sites sell albums and singles at significantly lower prices than those charged for the same recordings in UK record stores.

The issue was discussed at a recent meeting of the rights committee of the British Phonographic Industry (BPI), the organisation that represents the UK's record labels.

The BPI has asked its legal advisers to determine whether selling recordings from US internet sites to UK consumers represents a breach of copyright and, if so, what action could be taken to curb it.

The growing trend for UK consumers to buy from US-based online retailers is a concern for other industries. Last year, the Publishers Association, which represents UK book publishers, warned US-based internet bookshops that exporting titles also available in Britain could infringe copyright.

The issue is particularly sensitive for the music industry because it raises the potentially controversial subject of international price differentials. Record companies have striven for years to protect the variations in pricing between the US and various European countries. Four years ago, the UK music industry successfully defended itself against a Monopolies and Mergers Commission investigation into CD pricing.

Internet retailing is a relatively recent phenomenon, but sites such as CD Now and Music Boulevard have expanded rapidly since their formation in the mid 1990s. Initially their exports were too low to concern record labels, but such sales have risen recently as the number of potential customers accessing the internet has increased.

Customers outside the US have to pay air mail postage to order from US sites, but can still save money by buying from them.

For example, the group Radiohead's *OK Computer* album can be ordered from CD Now for $11.88, plus $6.03 postage to the UK. The total price of $17.91 compares with an average of £13.49 ($22.37) for a UK chart album.

CD Now charges $9.50 postage to send three items to the UK, and $23.21 for ten. Delivery takes up to a week, although the head of one UK record label said CD Now had dispatched an order to his home within three days.

Record companies are worried about a continued increase in sales from US sites to UK consumers. Music Boulevard plans to offer a faster service to European customers by opening a distribution centre in the Netherlands.

Radiohead: CD by mail order from the US costs $17.91 in Britain compared with an average of $22.37 from UK record stores

**THE ECONOMY** GOVERNMENT SAYS DROP IN PUBLIC SECTOR DEFICIT IS EVIDENCE THAT ITS PLANS ARE WORKING

# State borrowing lowest for seven years

By Richard Adams and Simon Davies

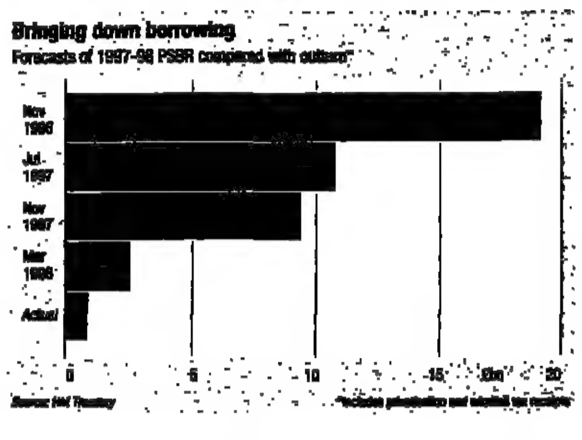
The UK's public sector deficit for the last financial year was £922m ($1.54bn), the government's lowest borrowing for seven years and well below last year's deficit of £22.6bn.

Stronger-than-expected tax revenues and tight control of spending meant the government's public sector borrowing requirement (PSBR) for last year was well below even the latest forecast made in the Budget statement last month by Gordon Brown, the chancellor of the exchequer.

Mr Brown had revised down the PSBR forecast in the Budget just over a month ago, to a deficit of £2.6bn including privatisation receipts. In last July's Budget, the deficit had been forecast to be £10.9bn.

Bringing down borrowing

Forecasts of 1997-98 PSBR compared with outturn*



The Treasury said the lower-than-expected figure was evidence that the government's plans to reduce the deficit were working.

The government borrowed £7.2bn in March, the final month of the 1997-98 financial year. Spending was about £1.5bn higher than the previous year as government departments spent heavily at the end of the year.

David Walton, UK economist at Goldman Sachs investment bank, said the improvement in public finances was a credit to the control over public spending by Mr Brown and Kenneth Clarke, who was the previous chancellor in the Conservative government.

Central government receipts were 9.7 per cent higher than in the previous year, with strong performances from income tax and corporation tax. On the spending side, central government departmental outgoings rose by just 0.2 per cent while last July's Budget had forecast a 1.7 per cent increase.

"This modest increase in cash terms implies a marked squeeze on spending in real terms," said Kevin Darlington, an economist at ABN Amro bank.

The latest Budget allows for 5 per cent cash growth in departmental spending in this financial year, giving Mr Brown room to increase spending and still undershoot his current forecasts for 1998-99. Adjusting for privatisation proceeds, the PSBR would have been £5.1bn this year, £22bn lower than in 1996/97 and £1.7bn lower than the March Budget target.

The lower deficit means the government will need to sell fewer government bonds, or gilts, to finance its spending next year.

● Manufacturing pay settlements fell slightly in the three months to March, according to the latest survey from the Confederation of British Industry, the principal employers' organisation, Andrew Bolger writes. Settlements averaged 3.7 per cent – down slightly on the three months to December. Pay awards in service companies also fell. They averaged 4.1 per cent in the three months to March, compared with 4.4 per cent in the quarter to December.

# Tempers grow shorter in central bank hothouse

Divisions within the monetary policy committee run deeper than merely setting the level of interest rates, **Richard Adams** writes

The monthly meetings of the Bank of England's monetary policy committee must be tense affairs. For two (possibly three) months running, the committee has split down the middle over whether to raise interest rates.

On each occasion, Eddie George, the Bank's governor, has been obliged to exercise his casting vote in favour of leaving rates unchanged.

The fact that Mr George has been forced to break the deadlock so early in the UK central bank's independence – granted by the Labour government last year – shows the depths of division in the committee.

Economics shorthand divides central bankers into "hawks" and "doves", those perceived as either tough or lenient on inflation.

However, Willem Buiter, the Cambridge economics professor – seen by many as the committee's chief hawk – believes this is a gross over-simplification.

"There are no hawks, doves or pigeons. There is no aviary in the deliberation rooms," he says.

The fact is that the disagreements in the committee run far deeper than arguments over the precise level of interest rates.

At present, the difference of opinion on where rates should be is relatively small. Much more fundamental is the division over the use of interest rates, and what factors should be considered in setting them.

Mr George believes that sterling is likely to remain strong for some time yet because of uncertainty over the European single currency.

The strong pound is undoubtedly slowing the UK economy, and the governor thinks it may be better to wait for the effect to wear off before raising rates. To act hastily, he believes, would increase the risk of a "hard landing".

Not so, say his opponents on the committee. Those who voted for higher rates argued that it was better to be safe than sorry. Delaying a rise might mean having to raise rates later – and by more than would otherwise have been necessary.

Those opposing an immediate increase countered that delaying a rise would have only a small cost. Doing so until firmer economic data became available would "give more confidence about the need for a change". According to those in this camp, trigger-happy increases could, in the worst case, damage the very credibility the newly independent Bank was trying to build.

Instead of deflecting attention from personalities, the establishment of the committee has had the reverse effect.

Mr George, apprenticed in the Bank's market operations, sees a predictable and cautious approach to monetary policy as preferable.

Mr Buiter and Charles Goodhart, both independent members appointed by Gordon Brown, the chancellor of the exchequer, take a different view. To them, uncertainty is no excuse for inaction. "Waiting in the hope that uncertainty will be resolved is relatively fruitless," Mr Goodhart recently told the Treasury committee of the House of Commons.

Mr Buiter said: "I believe that moving earlier is superior to moving later and having to move more to achieve the same effect."

The irony is that one reason that Mr Brown gave for granting the Bank independence in the first place was to reduce the focus on personalities habitually generated by the regular meetings between Mr George and Kenneth Clarke, who was chancellor in the last Conservative government, on the setting of base rate levels.

Yet under the new system, the financial markets are already speculating over the views of John Vickers, the Bank's new chief economist, even though he will not vote on the committee until June at the earliest.

Mr Vickers will be in an interesting position. As a Bank employee, he may be expected to fall in alongside the governor's views. So far, two other Bank insiders, Ian Plenderleith and David Clementi, have voted with the governor on every occasion. But unlike them, Mr Vickers is an economics professor at Oxford University.

Mervyn King, his forthright predecessor at the Bank and deputy-governor designate, who is also an economics academic, has twice demonstrated his independence by voting against the other three Bank staff in favour of a tighter policy.

Euro in action, Page 27

# Trade unions yield on rights demand

By Robert Taylor, Employment Editor

Trade union leaders yesterday gave ground on balloting arrangements for union recognition in an attempt to avert a bitter confrontation with the government.

The general council of the Trades Union Congress agreed to drop its insistence that only a majority of workers voting in a company would be needed to secure employer recognition.

The TUC now wants recognition to be triggered if 30 per cent of a workforce vote yes in a ballot. This applied 20 years ago under recognition laws later repealed by Margaret Thatcher's Conservative government.

Talks between the government and senior union leaders on union recognition are expected in the next few days. "The general council agreed there could be a case for a minimum vote in order to ensure that there is a basis for sustainable collective bargaining," said John Monks, TUC general secretary.

"We have indicated a readiness today to agree to a threshold of 30 per cent rather than get hung up on hypothetical points and to help reach a positive early conclusion to talks."

The TUC has accepted that companies with 10 or fewer employees should not be covered by recognition ballot procedures. The Confederation of British Industry and other employer bodies want to exempt companies employing 50 or less.

Mr Monks said the TUC would continue to oppose any thresholds that would exclude "significant numbers of workers from bargaining rights." Some would deny recognition rights for up to a third of the workforce. He added that this was "not acceptable."

The TUC believes its concessions should end nearly six months of deadlock and lead to a workable recognition proposal emerging from the government's policy paper on fairness at work. Union leaders hope it can be published by the end of the month – in time for a special TUC conference on May 6.

Union leaders are pleased with commitments the government intends to make on other worker rights, including making unfair the dismissal of workers involved in legally called industrial action. It also intends to close other loopholes in employment law.

## NEWS DIGEST

**FISHING INVESTIGATION**

### Spanish companies admit more than 100 offences

A group of Spanish fishing companies registered in Wales yesterday admitted more than 100 offences in UK waters. A lawyer prosecuting for the Ministry of Agriculture, Fisheries and Food said in court in Haverfordwest, south-west Wales: "Taken together it is the largest group of offences ever to come before the courts in this country. In some individual cases they also represent the grossest examples of over-fishing ever to have been detected."

The cases, dating back to 1995, follow long investigations into over-fishing by fishery protection vessels from the Royal Navy and the naval service of the Republic of Ireland. The companies were registered in Wales to qualify for British fishing quotas, the court heard.

All the trawlers sailed out of La Coruna, northern Spain, fished for hake and anglerfish off the west coast of Britain and sailed straight back to Spain with their catches. The court heard that one ship, the Serrano Hevia, was found with 128 tonnes of anglerfish tails on board although it was licensed to catch only two tonnes.

Another vessel, the Eder Sands, netted seven tonnes of hake when the stocks of the species were so low that the fishing grounds had been officially closed, the court was told.

The owner of Serrano Hevia, Sun Fisheries of Milford Haven, and the skipper Miquel Perez, admitted exceeding the Anglerfish quota by 34,011 Kg in January 1996, and again the following month by 95,814 Kg. They also admitted making false landing declarations relating to the catches.

**NORTHERN IRELAND REFERENDUMS**

### Trade unions pledge 'yes' vote

Trade unions in Ireland will support a "yes" vote in the coming referendums on the Northern Ireland peace agreement, Inez McCormack, vice-president of the Irish Congress of Trade Unions, announced yesterday at a conference of the Scottish Trades Union Congress.

Ms McCormack said the ICTU was advising its members to vote affirmatively on May 22 because of the "unique cross-community, cross-party and inter-government accommodation" that had enabled an agreement on Northern Ireland to be reached.

She said: "We praise the leadership of the two governments and the courage of all those involved in the multi-party talks for stretching out beyond the safety of their own communities to reach agreement and provide people with some hope for the future."

**PRIVATISED RAILWAYS**

### 'Double subsidy' claim denied

Government subsidy for the railways will be 10 per cent higher than in the years immediately before privatisation when the impact of taxes paid by the rail companies is taken into account, the Railway Forum, an industry association, said yesterday.

The forum was responding to criticism of the privatised railway companies that subsidies had doubled but had not led to any improvement in the quality of services.

The "doubling" claim was based on a comparison between the £1.1bn ($1.83bn) subsidy paid to British Rail and the passenger transport executives in 1993-94 and the £2.2bn paid in 1994-95, the first year when the railways operated on a commercial basis. The forum said that comparing the two years was misleading and that a comparison of the three years before privatisation and the first three years after showed that at constant 1997 prices subsidy had risen only 23 per cent.

When the impact of a £160m windfall tax on Railtrack, the company which runs the UK rail infrastructure, and annual corporation tax payments by the rail companies of £100m are taken into account, the increase over the three-year period "was only 10 per cent to £1.44bn a year". Rail franchisees' subsidies decline each year: by 2001, the excess over 1991/94 will have disappeared. **Charles Batchelor, London**

**ROYAL OPERA HOUSE**

### Artistic director appointed

Richard Jarman has been appointed artistic director of the troubled Royal Opera House, Covent Garden. But his contract is short term, and he will go when Covent Garden chooses a general director. Mr Jarman has been given a fixed two-year contract, with a three-month break clause.

Mr Jarman, 48, was general director of Scottish Opera from 1991 and 1997. He is believed to have been in the running for two other major operatic appointments made recently, the artistic director of Glyndebourne, and the general director of English National Opera, a position that went to his predecessor at Covent Garden, Nicholas Payne. Sir Richard Eyre's report into opera and ballet provision in London, which could transform the working practices at both Covent Garden and English National Opera, is not now expected to be released until late May. **Antony Thorncroft, London**

**DRY DOG FOOD**

### US company plans sales drive

Ralston Purina, the US dog food manufacturer, yesterday unveiled plans for a big marketing push for dry food following its purchase of the UK's Edward Baker Petfoods in December. It said the reason a majority of UK pet-lovers continued to buy wet food – which looks more like meat – was that "people give dogs something they imagine they would like to eat themselves".

Undeterred, Ralston Purina's UK subsidiary yesterday published a marketing study forecasting that dry dog food sales would seize half the UK market by 2010, up from 34 per cent, representing sales of £243m ($405.8m) now.

Dry food has a 75 per cent share of the $10bn US dog food market. **Leyla Boulton, London**

# TV watchdog seeks to end digital dispute

By Cathy Newman in London

The Independent Television Commission, the television watchdog, has intervened in the dispute between British Digital Broadcasting and British Sky Broadcasting. The ITC has scheduled a meeting with the two companies, which are in dispute over the boxes needed to unscramble digital television signals.

BSkyB, the satellite television network, last week began legal action against BDB, owned by Carlton Communications and Granada. BSkyB issued a writ accusing BDB of breaching an agreement stipulating that the two groups' boxes should be compatible. Rupert Murdoch's News Corporation is the biggest shareholder in BSkyB.

The ITC has now stepped in to encourage the pair to resolve their differences. A meeting, in which the ITC will act as an "honest broker", is expected to be held within a fortnight.

The watchdog does not have the power to enforce a resolution but is prepared to "bang heads together" to ensure a smooth launch of digital TV later this year.

BSkyB will start broadcasting 200 channels via digital satellite in June, while BDB will offer consumers at least 15 digital terrestrial channels in the autumn.

BSkyB's writ, which has been issued but not served, claims that BDB's set-top boxes, the technology that receives digital television signals, will not be able to run some of its services. The writ alleges BDB's boxes would not be able to carry an electronic programme guide to digital channels similar to BSkyB's.

An executive at BDB said yesterday: "BDB has always wanted to co-operate to ensure that consumers need only buy one box to receive both digital terrestrial and digital satellite television."

BSkyB first threatened action when BDB chose a conditional access system different from that of BSkyB, which chose a system from News Datacom, a subsidiary of News Corp.

**EXPORTS** QUEEN'S AWARD WINNER ATTACKS PREMIER

# Blair 'ignored warning signs' over sterling

By Sheila Jones and George Parker

A winner of the Queen's Award for Export Achievement today launches a bitter attack on Tony Blair, the prime minister, saying the strength of the pound is driving Britain's manufacturers into recession.

Lancashire-based Statestrong, which makes aerosol toiletries, says it has lost a third of its sales in the past nine months largely because of sterling's strength.

"Far from looking towards our next award, we are now fighting for survival," said Stephen Baptist, managing director. Turnover of £30m ($50m) last year had dropped by £10m. "Like all exporters we have had to watch our market share rapidly disappear simply because New Labour and the Bank of England choose to totally ignore all the warning signs. We will accept the award simply because we deserve it, but it galls me to think that Mr Blair will hypocritically be the signatory of such a prestigious certificate."

The company is among 115 winners in the exports category of the awards – decided by the Queen's Awards Office – for achievement in exports, technology and the environment.

Among other exporters, Daniel Pillai, marketing manager of Atlas Ward, which makes steel building frames, said it had offset sterling's strength by importing raw materials and by placing some manufacturing in Germany. "But the net result is someone in the UK loses a job. We are shifting added value to continental Europe and it will stay there until the pound comes down."

At London-based Aquaman, an award winner for its waterproof camera cases, profit margins had come under "considerable pressure", said Tim Turnbull, marketing director. Sales were still growing, partly because competition was limited. "But we are having to find ways to encourage our distributors, who are making less money."

Mr Blair's office said the government appreciated that exporters faced difficulties, but wanted a stable and competitive pound in the medium term to bring price stability. "We don't think industry would be helped by a cycle of boom and bust."

Larger companies among the award winners, such as Rolls-Royce, said export sales had held up. Rolls-Royce is the big success of this year's winners, with awards in all three categories. The company won an export award for its Trent aeroengine series, a technology award for its developments in gas turbine technology and an environmental award for measures to reduce pollution from jet engines.

The number of Queen's Awards for technological achievement fell this year to its lowest since 1971, reflecting a downward trend. The number of awards issued in the technology category, which reflects the practical application of innovations, has dwindled every year since a high point of 49 in 1990.

Award details, Page 15

# Airline chairman to head strategy unit for London

By Alan Pike, Business Services Correspondent

Sir Colin Marshall, chairman of British Airways and president of the Confederation of British Industry, the principal UK employers' organisation, is to lead the body that will help prepare an economic strategy for London.

English regions outside London will get statutory regional development agencies next April. A London Development Partnership, chaired by Sir Colin, will fulfil similar functions in the capital until its directly elected mayor and assembly are established in 2000.

Nick Raynsford, minister for London, said at the partnership's inauguration yesterday that it was important London was not disadvantaged by delay in introducing the governance changes, which are subject to a referendum next month.

There must, said Mr Raynsford, be clear priorities and agreed action plans for London to maintain its position. While previous partnerships had fostered economic development and regeneration, their activities had taken place without clear strategic direction.

The new partnership will contain representatives from business, local government, higher education, training, trade unions, tourism and the voluntary sector. Its £300,000 a year running costs will be met by member organisations.

The mayor will become responsible for setting economic development and regeneration strategy, working through a new London Development Agency from 2000.

Although the partnership is an interim body it will appoint a chief executive, and the mayor could choose to make it the basis of the future agency.

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## Computer systems with the phenomenal power to compute the absolute toughest problems.

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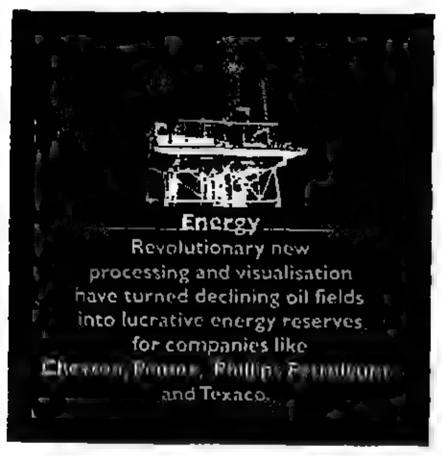
**Insight comes from seeing and solving your toughest problems in ways not possible before.**



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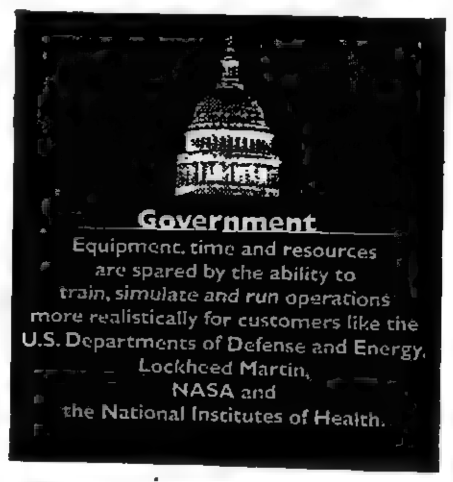

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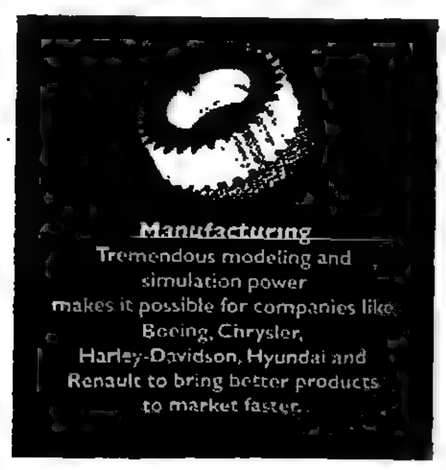
In order to succeed today, companies must combine massive amounts of data with the ability to see that data in more meaningful ways. Traditionally, these applications involve modeling, simulation, design and special effects. Moving forward, you will need applications for creating business intelligence, storing and serving complex media, and leveraging the power of the networked world in a data intensive environment.



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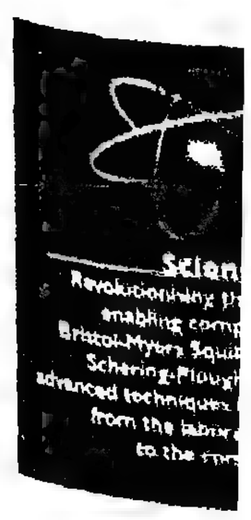

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the power of insight

**Richard E. Belluzzo**
**Chairman**
**Chief Executive Officer**

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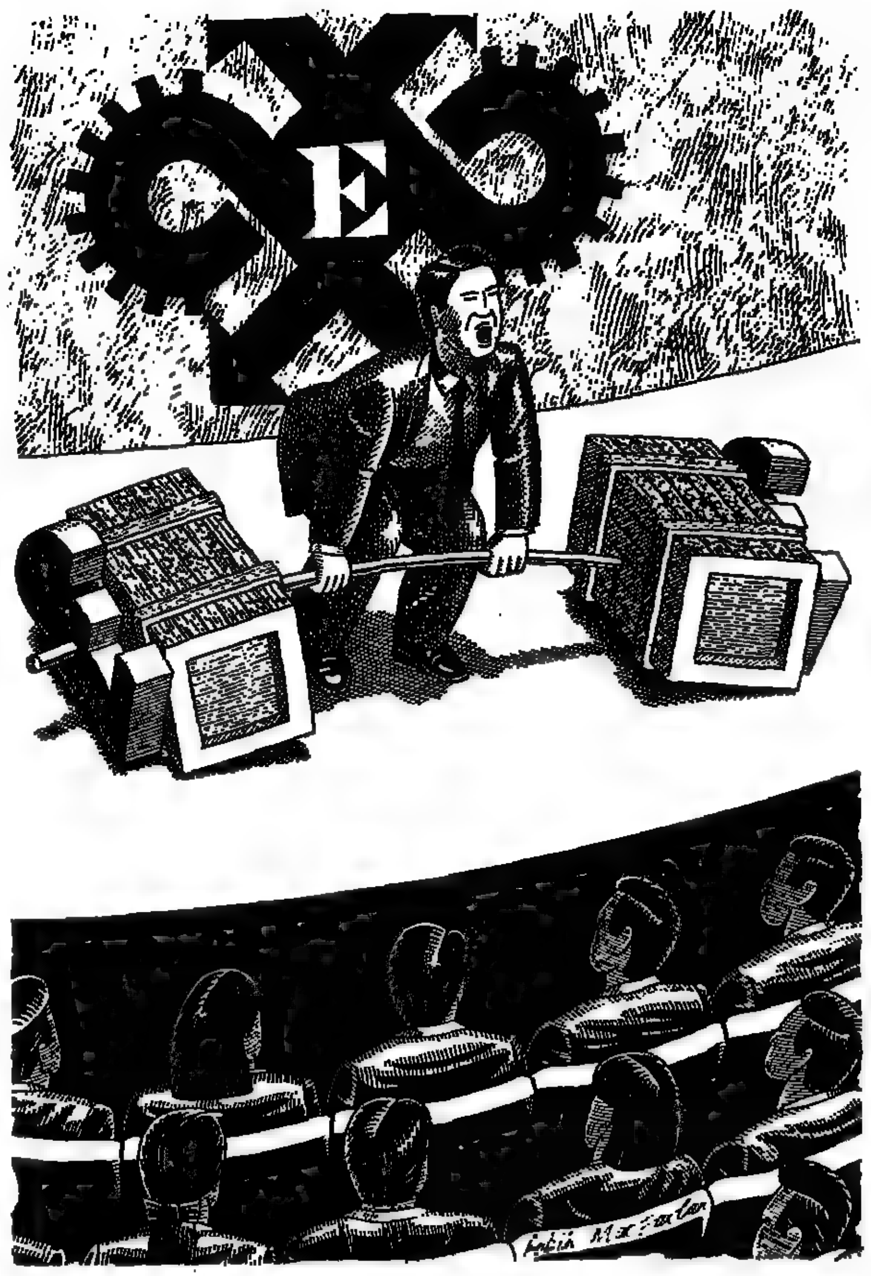
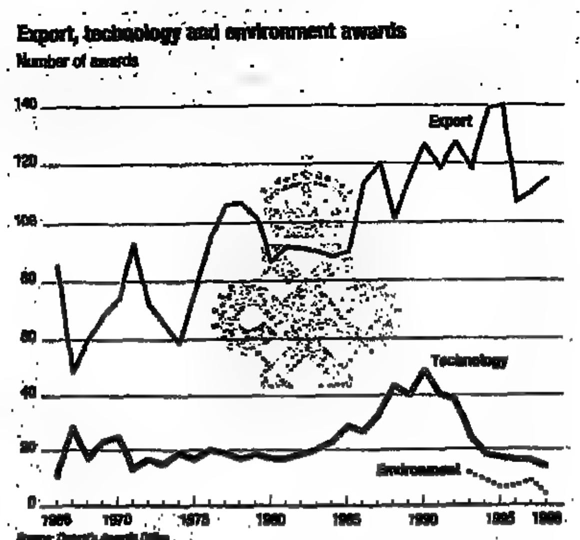
# The Queen's Awards

FOR EXPORT, TECHNOLOGY and THE ENVIRONMENT 1998

Despite a strong currency, British companies, often in foreign hands, continue to push into overseas markets, says **Tony Jackson**

## Winners fend off the pound





In several respects, this year's Queen's Awards for Exports come at a sensitive time. British exporters are under heavy pressure from the strength of sterling: can they still perform?

Again, some exporters, such as Rolls-Royce Motors, are falling into foreign hands: will this help or hinder them?

Last but not least, Tony Blair's New Labour claims to be transforming Britain: so what does Cool Britannia have to offer the world?

To the central question, that of the strong pound, the awards can only give indirect answers. To win, companies must give documentary evidence of rising exports over the past three years, with the rise maintained in year three.

It therefore seems ominous that the number of applications for the award fell by a third this year. However, the evidence is mixed. The number of awards rose slightly, from 110 to 115, reflecting a sharp rise in the quality of applications after a poor year in 1997.

As for foreign ownership, the evidence is resoundingly positive. The car group Rover – owned by BMW, the likely buyer of Rolls-Royce – wins the award this year for the first time in its history. Aston Martin Lagonda, now owned by Ford of the US, wins for the second time. The big far eastern consumer electronics companies Samsung and Sanyo are winners as well.

What of Cool Britannia? Again, the evidence is mixed. One striking winner is Vivienne Westwood, one of the UK's best known fashion designers. Also in clothing, we have Ariella Fashions 80's – not the most modern of names, perhaps – which makes cocktail and evening dresses and suits for businesswomen.

Other awards suggest that Britain's image abroad could use an update. Take W.H. Tracey, which sorts and exports second-hand clothing to the developing world, or Ward Shoes, which sells reject and end-of-range shoes to Africa.

Slightly less cool, too, is Enid Blyton Ltd, which sells Noddy and Big Ears to the wider world; or Nauticalia, which makes reproduction naval memorabilia, such as telescopes, antique sextants and replicas of Nelson's tunic buttons.

More fundamentally, the question is whether the awards give a picture of the UK as a source of high-tech employment. On the whole, the answer is encouraging: though again, foreign ownership is an important factor.

Two high-tech sectors to look at are medicine and electronics. Both provide 12 winners: that is, between them they contribute just over a fifth of the total.

The medical winners cover an encouragingly wide range, not confined to the big drug companies. Four of those – Zeneca of the UK, Novartis of Switzerland, Rhône-Poulenc Rorer of France and Johnson & Johnson of the US – are on the list.

Other winners include the Swedish-owned COBE Laboratories, which makes products for open heart surgery, and the US-owned Euro/DPC, which makes diagnostic reagents.

There are British winners too, such as Micro Medical, which makes various kinds of medical electronic instruments, and Hammersmith Medicines Research, which does contract research on new drugs.

The winners in high-tech electronics depend partly on foreign expertise, but by no means entirely. Thus, there are two US-owned software companies, ADC Metrica and Applied Communications. There is also a US maker of semiconductor manufacturing equipment, Biorad Micromeasurements.

But there is also a range of UK companies, several of them based in Oxford or Cambridge. An excellent example is Cambridge Animation Systems, which sells software for creating cartoons, and has been successful in the US and Japanese markets. Another is Oxford-based Software 2000, which makes software to drive printers attached to Windows-based PCs.

That apart, two companies deserve special mention. One is Rolls-Royce (aerospace, not cars). Between its various divisions, it achieved the feat of winning awards for exports, technology and the environment. And the much smaller SEOS Displays, with only 95 employees, managed the double – awards for exports and technology, both for its visual display systems used in training simulators.

Some other sectors deserve mention. The drinks industry scored highly, with awards to the cider maker H P Bulmer, the brewer Scottish & Newcastle and Scotch whisky makers Macallan, Morrison Bowmore and William Grant. There was also an oddity: Corney & Barrow (Broker Services), a tiny company which imports fine French wines, mostly for private clients, then sells them on the international market.

But then, one of the delights of the awards is the oddities they throw up. It is nice to know that the Manchester bakers W W Bellamy, for instance, are successfully exporting muffins, crumpets and pancakes to France; that the Yorkshire firm of John Horsfall & Sons is carving a niche in supplying blankets to the world's airlines; and that the small firm of Strix, based on the Isle of Man, is supplying the world with the gadgets that switch electric kettles off when the water boils.

There is one discouraging footnote. The awards for technological and environmental achievement, traditionally appended to the export awards, seem to be in trouble.

A decade ago, awards for the two categories – then combined – ran at more than 40 a year. The combined figure this year was 18, the lowest in almost 30 years. In technology, this is due partly due to a lack of applications, down 40 per cent from five years ago.

The awards on the environment, introduced in 1993, present a dismal picture. In 1993 there were 12 awards, last year eight, this year four. The number of applications did not fall, but their success rate was pitiful, at only 3 per cent. This suggests a breakdown of communication between the companies submitting applications and those who judge them.

All the more credit, perhaps, to the winners. In technology, the areas of expertise range from communications and healthcare to aerospace.

Thus, the BBC and Snell & Willcox share an award for a system converting TV broadcasting standards – for example, between the US and Europe – in real time. In the healthcare sector, Nycomed Amersham has come up with a new formulation for use in stress tests for heart disease.

In aerospace, Stewart Hughes – a Hampshire company with only 56 employees – has developed a system for checking the mechanical safety of helicopters. Rolls-Royce has found a way of controlling heat in aero engines. Smiths Industries has a method for reducing the use of electricity in airliners in flight.

As for the environment, Rolls-Royce completes its treble with a means of reducing polluting gases from its engines, while the glass company Pilkington has cut the emission of nitrogen oxide from its furnaces.

Across the three categories, the range of achievement remains impressive. But two broad messages emerge. There is room for plenty more technological innovation. And Britain can use all the help it can get from overseas to acquire it.

Graphics

# THE QUEEN'S AWARDS FOR INDUSTRY 1998

## THE QUEEN'S AWARDS FOR EXPORT ACHIEVEMENT

| | | |
|---|---|---|
| ADC Metrica | Richmond, Surrey | Computer software & services |
| Abbeyvet Export | Sherburn-in-Elmet, North Yorkshire | Veterinary products |
| Aber Instruments | Aberystwyth, Dyfed, Wales | Yeast and biomass monitors |
| Accuracy International | Portsmouth, Hampshire | Precision rifles and accessories |
| Applied Communications | Watford, Hertfordshire | Computer software and services |
| Aquaman (UK) | London SE24 | Waterproof plastic cases for cameras and communications equipment |
| Ariella Fashions 80's | London N22 | Ladies' fashion outwear |
| Aston Martin Lagonda | Newport Pagnell, Buckinghamshire | Luxury sports and grand touring cars, parts and restoration services |
| Aston Packaging | Birmingham, West Midlands | Recycled packaging and packaging production machinery |
| Atlas Ward Structures | Malton, North Yorkshire | Steel-framed structures and pre-engineered package buildings |
| W W Bellamy (Bakers) | Trafford Park, Manchester | Breakfast muffins, crumpets and pancakes |
| Bio-Rad Micromeasurements | York, North Yorkshire | Advanced measuring systems |
| Enid Blyton Ltd | London W1 | Rights to the works of Enid Blyton |
| Braime Elevator Components | Leeds, West Yorkshire | Components for material handling equipment |
| Brintons | Kidderminster, Worcestershire | Axminster and Wilton carpets |
| H P Bulmer | Hereford, Hereford & Worcester | Cider |
| Cable & Wireless Marine | Chelmsford, Essex | Installation and maintenance of submarine telecoms cables |
| Calcarb | Bellshill, Lanarkshire, Scotland | Carbon-bonded carbon fibre thermal insulation |
| Cambridge Animation Systems | Cambridge, Cambridgeshire | Cartoon software |
| Cambridge University Press | Cambridge, Cambridgeshire | Publishing of academic books, journals and bibles |
| Cape Boards | Uxbridge, Middlesex | High performance asbestos-free building products |
| Cleveland Cascades | Middlesborough, Cleveland | Dry bulk loading chutes |
| COBE Laboratories | Quedgeley, Gloucestershire | Medical products for open heart surgery and blood transfusions |
| Conray & Barrow (Broker Services) | London EC1 | Fine and rare wines |
| Cussons Technology | Broughton, Manchester | Educational technology in internal combustion engines |
| De La Rue Holographics, a division of De La Rue International | Basingstoke, Hampshire | Security holograms |
| The Dudson Group of Companies | Stoke-on-Trent, Staffordshire | Durable tableware for the catering industry |
| Electro Furnace Products | Hull, East Yorkshire | Magnesia powder |
| Energy for Sustainable Development | Corsham, Wiltshire | Energy consultancy |
| Euro/DPC | Caernarfon, Gwynedd, Wales | Diagnostic reagents and systems |
| Europa Scientific | Crewe, Cheshire | Scientific instruments – mass spectrometers |
| The Folio Society | London, WC1 | Publishing |
| France Angleterre | Sundridge, Kent | Tour operator |
| GEC Alsthom Ruston Diesels | Newton-le-Willows, Merseyside | Medium-speed diesel engines |
| Gordon & Innes | Huntly, Aberdeenshire, Scotland | Seed potatoes |
| William Grant & Sons | Bellshill, Lanarkshire, Scotland | Scotch whisky |
| Griffin-Woodhouse | Cradley Heath, West Midlands | Mooring systems |
| Hammersmith Medicines Research | London NW10 | Medicines research |
| Hawker Energy Products | Newport, Gwent, Wales | Lead acid batteries |
| Heatric | Poole, Dorset | Heat exchangers |
| K. Home Engineering | Thornaby-on-Tees, Cleveland | Project management and engineering design services |
| John Horsfall & Sons (Greetland) | Halifax, West Yorkshire | Blankets for air travel |
| Huf UK | Willenhall, West Midlands | Locks and handles for the automotive industry |
| Domnick Hunter | Birtley, County Durham | Compressed air purification, liquid and air sterilisation filters and gas generating equipment |
| IMI Watson Smith | Leeds, West Yorkshire | Pneumatic control instrumentation |
| ITE Group | London, W9 | Organisation of international trade exhibitions and conferences |
| Innovative Tooling Solutions, a Division of Forth Tools and Valve | Glenrothes, Fife, Scotland | Specialised machine tooling for controlled boring operations |
| Inspec Fine Chemicals | Wolverhampton, West Midlands | Intermediate fine chemicals |
| International Sorbent Technology | Hengoed, Mid-Glamorgan, Wales | Scientific sample preparation products |
| JCB Parts and Attachments | Rocester, Staffordshire | Spare parts and equipment |
| Johnson & Johnson Medical | Ascot, Berkshire | Surgical and medical devices |
| Joy Mining Machinery | Wigan, Lancashire | Underground mining equipment |
| Kingspan Building Products | Holywell, Flintshire, Wales | Insulated roof and wall cladding |
| Lloyd Loom of Spalding | Spalding, Lincolnshire | Woven fibre furniture |
| Load-Lok Manufacturing | Merthyr Tydfil, Mid-Glamorgan, Wales | Cargo restraint systems |
| Mabey and Johnson | Reading, Berkshire | Steel bridges |
| The Macallan Distillers | Craigellachie, Banffshire, Scotland | Malt Scotch whisky |
| Merechoice | Worthing, West Sussex | Radio pagers, mobile phones and related components and equipment |
| Micro Medical | Gillingham, Kent | Medical electronic devices and instruments |
| Mondiale Corporation | Hitchin, Hertfordshire | Publishing and conference management for the office products industry |
| Morrison Bowmore Distillers | Glasgow, Scotland | Malt Scotch whisky |
| Mott MacDonald Group | Croydon, Surrey | Engineering consultancy services |
| Nauticalia | Shepperton-on-Thames, Middlesex | Reproduction nautical artefacts |
| Newall Measurement Systems | Leicester, Leicestershire | Digital read-out systems |
| News Digital Systems | West Drayton, Middlesex | Digital television compression and transmission encryption systems |
| Norbar Torque Tools | Banbury, Oxfordshire | Torque tools and wrenches |
| The Northampton Machinery Company | Northampton, Northamptonshire | Machinery for high speed stranding and winding of cable |
| Novartis Grimsby | Grimsby, Lincolnshire | Fine organic chemicals |
| Ocular Sciences | Eastleigh, Hampshire | Soft contact lenses |
| Pace Micro Technology | Shipley, West Yorkshire | Analogue and digital set-top boxes for the reception of satellite, cable and terrestrial transmissions |
| Prestwick Circuits | Ayr, Ayrshire, Scotland | Printed circuit boards |
| Prigas International | Perivale, Middlesex | Automotive components |
| Quest International, the fragrance division | Ashford, Kent | Fragrance ingredients and compounds |
| Rhône-Poulenc Rorer | West Malling, Kent | Pharmaceutical products |
| Rolls-Royce Commercial Aero Engines | Derby, Derbyshire | Aero engines |
| Rotary (International) | Mallusk, County Antrim, Northern Ireland | Mechanical and electrical installations |
| Rover Group | Warwick, Warwickshire | Motor vehicles |
| SMC Transit International | Milton Keynes, Buckinghamshire | Train door systems |
| Samsung Electronics Manufacturing (UK) | Wynyard, Cleveland | Colour television sets, microwave ovens and monitors for personal computers |
| Sanyo Electric Manufacturing (UK) | Newton Aycliffe, County Durham | Microwave ovens and magnetrons |
| Schelhter Filters | Retford, Nottinghamshire | Liquid chemical filters |
| J.Henry Schroder & Co International Energy & Projects Division | London EC2 | Financial advisory services |
| Scomark Engineering | Swadlincote, Derbyshire | Pipeline fittings |
| Scottish & Newcastle International Division | Edinburgh, Scotland | Beer |
| Seafood Marketing International | Droylsden, Manchester | Frozen shrimps |
| Seal Sands Chemicals | Seal Sands, Middlesbrough | Synthetic organic fine chemicals |
| Sema Group Telecoms Division of Sema Group UK | London WC1 | Software for the telecommunications industry |
| SEOS Displays | Burgess Hill, West Sussex | Visual display systems for training simulators |
| Silbert Instruments | Guildford, Surrey | Instruments and equipment for the use within the CD industry |
| Software 2000 | Oxford, Oxfordshire | Computer software |
| Solid State Logic | Begbroke, Oxfordshire | Professional audio recording and mixing equipment |
| Statestrong | Lytham, Lancashire | Aerosol toiletries |
| Steffen, Robertson and Kirsten (UK) | Cardiff, South Glamorgan, Wales | Engineering and scientific consulting services |
| Sterling International Movers | Perivale, Middlesex | International corporate relocating services |
| Strix | Ronaldsway, Isle of Man | Controls for the domestic appliance industry |
| Sulzer Vascutek | Inchinnan, Renfrewshire, Scotland | Sterile implantable polyester fibre vascular grafts |
| Sutcliffe Speakman Carbons | Ashton-in-Makerfield, Lancashire | Speciality activated carbon |
| Svitzer | Great Yarmouth, Norfolk | Specialised offshore surveying |
| TSL Group | Wallsend, Tyne and Wear | Fused quartz and silica products |
| Thames Distributors | Hounslow, Middlesex | Sound recording wholesale merchants |
| Thermoteknix Systems | Cambridge, Cambridgeshire | Specialised electronics and products for infrared imaging and line scanning |
| W.H. Tracey Textile Recyclers | Bury, Lancashire | Second-hand clothing and footwear |
| UCB Films | Wigton, Cumbria | Cellulose and polypropylene films |
| UWG | Norwich, Norfolk | Engineering and management services and products to the offshore oil and gas industry |
| UNECIA (Universities of England Consortium for International Activities) | Sheffield, South Yorkshire | Academic and technical assistance consultancy and training |
| VZS Technical Ceramics | Glenrothes, Fife, Scotland | Technical ceramics |
| Visual Communications Group | London E14 | Stock photographs |
| Vosper Thornycroft Holdings | Southampton, Hampshire | Naval ships, support packages and spares |
| Ward Shoes | Sheffield, South Yorkshire | End-of-range and imperfect footwear |
| Wavespec | Maldon, Essex | Marine consultancy |
| Weardale Steel (Wolsingham) | Bishop Auckland, County Durham | Ships stern castings and fabrications |
| Wesley Jessen PBH | Southampton, Hampshire | Contact lenses |
| Vivienne Westwood | London SW11 | Fashion clothing and accessories |
| York International | Basildon, Essex | Chillers for air conditioning and refrigeration |
| Zeneca LifeScience Molecules | Blackley, Manchester | Fine chemicals and biotechnology-based products |

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PROFILE Braime Elevator Components

# In an elevated position

A company that manufactures components for elevating bulk granular materials has leapt into the position of the world's largest producer of pressed steel elevator buckets.

Braime Elevator Components' products can be found in a variety of bulk handling industries, including grain and cereal handling, animal feed, castings, mining, glass-making, ceramics and cement making.

A typical order, recently shipped, was elevator buckets for a new grain terminal in China to elevate 800 tonnes of wheat per hour to a height of 60 metres. The buckets form part of vertical conveyors used for elevating material into storage silos.

The family-owned company, based in Leeds, employs 16 people and is part of the TF & JH Braime Holdings group that dates back to 1888. Nicholas Braime has been director since the company's foundation in 1974.

It has been exporting for 23 years to more than 40 countries in North and South America, Europe and the Far East. Exports have more than doubled in the past three years and now account for more than 80 per cent of sales.

Competing with four other suppliers, two in the US and two in Europe, Mr Braime puts his success down to the company's "technical expertise in this specialised field" and detailed application engineering" the company offers. "In many cases we design the product and guarantee its performance so customers come to us for a whole package rather than just order the components," he says.

The company's four-acre site includes extensive test facilities to simulate how particular materials will behave in the elevator buckets so it can give customers an optimum solution to achieve their tonnage requirements.

Variety is another strength. The elevator buckets come in 350 different sizes and in a range of materials such as stainless steel, pressed steel, plastics and nylon and can be run between 5 and 100 metres.

Mr Braime has added electrical control equipment for monitoring the safe handling and storage of bulk materials to complement the range of elevator buckets, which accounts for 70 per cent of its output. A third category of product is elevator belting and other accessories to aid manufacturers and users of bucket elevators.

Sales, which approached 2m parts per year, are made principally to other manufacturers of bucket elevators who in turn sell to end users. Profits in 1996 of £0.2m on turnover of £3m were down last year because of the strength of the pound. Turnover fell to £2.7m.

Electronic controls offer the greatest potential for growth and are the least price sensitive – which offers some shelter from the strength of sterling.

But Mr Braime says: "At the end of the day price matters. The whole of our margin is being wiped out and there's only so long you can go on absorbing all the costs."

**Gautam Malkani**

On the way up: Braime's exports have more than doubled in the past three years and now account for more than 80 per cent of sales. The company, which makes components for elevating bulk granular materials, puts its success down to "technical expertise in this specialised field" *Hilda of Leeds*

THE ENGINEERING SECTOR • by Peter Marsh

# Specialists rise to the fore

## Camera cases, fibreglass chutes and steel bridges are among the winning products

What do the Spanish Red Cross, the Japanese coast guard and the Finnish border police have in common? All are customers of Aquaman, a UK company which has created a world market for transparent cases for cameras and other electronic equipment to protect them from water, sand and dirt.

Aquaman, which is based in London, is among a number of specialist companies in engineering-related industries to have won an export award this year. It was formed in 1983 by its managing director Max Malavasi, then 22, who wanted to make a protective covering for Sony Walkmans so they could be used by watersports enthusiasts.

Sales of the company's "Aquapac" cases last year came to £1m, with 90 per cent exported. This year sales should reach £1.3m, helped by a new case made from a special plastic which can withstand extreme cold and so be useful in the winter sports industry.

"Up to now we have been a company that has done well out of people's summer holidays," says Tim Turnbull, Aquaman's marketing director who with Mr Malavasi is among the four managers who own the company.

Aquaman's products mainly sell for £12-£20, although the company can also make higher price products for more specialist uses, for instance for the Royal Navy.

The company employs just 21 full-time people in its headquarters in London, with some production taking place in a recently built factory near Cork in Ireland.

Also using engineering expertise in its products is Electro Furnace Products, an export winner which is Europe's biggest maker of specialist grades of magnesium oxide (magnesia) used in heating elements for the domestic appliance industry.

Based in Hull, EFP exports 90 per cent of its output, now worth about £12m a year. The magnesia it produces is used as an insulating material in the elements forming part of devices such as kettles and washing machines.

Part of a bigger group called Universal Ceramic Materials, EFP took a chance in the mid 1990s by investing £4.2m to expand its production capacity, from 4,000 tonnes a year in 1993 to 18,000 tonnes a year now. Its efforts were rewarded with increased sales, helped by the decision of two large competitors – Hüls of Germany and Pechiney of France – to stop making magnesia for this application. Production this year is likely to be about 80 per cent of capacity.

Graham Dughan, EFP's managing director, says that another factor helping the company to increase exports by 170 per cent in the past three years has been a commitment to helping customers use the material in their own heating element products.

"We guarantee customers that if they run into a production problem we will put it right within 24 hours," says Mr Dughan.

Two of the company's biggest customers are Irca of Italy and Ego of Germany, two large European heating element makers which sell to white goods producers such as Electrolux, BSH (formerly Bosch-Siemens Hausgeräte) and Merloni.

A related company also picking up an export award is Strix, an Ise of Man company which is the world's biggest maker of control mechanisms for kettles, while the more industrial end of the engineering industry is represented by Innovative Tooling Solutions, which makes specialised tooling for aerospace landing gear manufacturers and makers of automotive engine blocks.

The transportation industries are further represented by several specialist manufacturers. Among them is Middlesbrough-based Cleveland Cascades, which produces fibreglass chutes used for loading bulk materials such as grain and chemicals on and off ships and lorries.

A subsidiary of Cleveland Potash, a large UK based minerals producer, the company started in 1993 making products purely for its parent's own use, and later found it could diversify into other applications for external customers. Last year Cleveland Cascades had sales of £1.2m, of which about two thirds were exported.

Load-Lok Manufacturing, another award winner, makes garment-carrying and other transportation systems used in a variety of cargo applications, while Weardale Steel produces sternframes and rudders for the shipbuilding industry. Among the biggest products of any award winner are those of Reading-based Mabey and Johnson, which designs and makes steel bridges.

Equipment used in mining and process industries are behind the awards won by three other companies – the UK operations of Joy Mining Machinery, part of Harnischfeger of the US, and Domnick Hunter and Scheibler Filters, which both make filtering equipment.

Three companies in engineering consultancy – Mott MacDonald, K. Home Engineering and Steffen, Robertson and Kirsten – are also represented. Their expertise is used internationally in big construction, plant or energy projects.

Northampton Machinery won its export award for its cable winding machinery, while JCB, the construction machinery group, was honoured for its operations exporting spare parts and attachments.

PROFILE VZS Seagoe

# Clocking up the sales

A row of clocks on a wall at VZS Seagoe Advanced Ceramics, shows the time in a bizarre collection of places: Pittsburgh, India, South Africa, Europe and – a touching addition – Glenrothes, the company's Scottish base just north of Edinburgh.

These time pieces help explain why the small ceramics manufacturer, with only 79 employees, has carved out a substantial export market since a management buy-out put it on a fast track to growth in 1994: VZS Seagoe needs to keep abreast of the time as, at any given moment, a member of staff could be on one of the customer visits that have helped push up its overseas sales.

In 1996, exports were £1.36m out of total sales of £3.49m, up from a mere £612,000, out of sales of £2.3m, in 1994.

VZS Seagoe specialises in manufacturing high purity alumina ceramics for use in various industries: faucet valves for bathroom taps, electrical insulators found in the power industry and wear-resistant parts for paper manufacturing lines. Part of Beauford Group, it merged with a sister company, Northern Ireland-based Seagoe Advanced Ceramics, in January.

Faced with competition from bigger players such as Coors Group of the US and the UK's Morgan Crucible but keen to expand the export side of the business, the management opted to stick with its existing customers abroad but try and squeeze greater volume of orders from them.

Company executives embarked on an aggressive round of company visits to clients in Spain, Austria, India and South Africa, targeting customers that indicated growth was possible.

"We tried to target niche markets where there wouldn't be too much competition," says Andrew Jones, technical manager.

The process was not always easy. Client visits would ascertain what specifications the customer was looking for in a product, samples would be produced and sent to the client for inspection.

The difficulty was often making changes to the specifications without risking capital expenditure on machinery when the order was not certain – a problem larger competitors did not face.

"It was a long drawn out struggle," says Mr Jones. "At times we thought we'd blown it because we were late with some samples. You're trying to break in on people who've already got the kit and toolsets."

VZS Seagoe placed a high emphasis on building client relationships during the 18 months it took to see the first orders roll in. By mid-1995, the company had started hiring foreign language-speaking staff as a way of easing communication with customers.

One of the company's strengths is that its products are spread across five markets: electrical, paper, wear resistance, chemical seals and the nuclear industry. And proximity of raw material supplies – its source of aluminium oxide, the base material for its ceramic products, comes from a plant 10 miles away – has helped maintain competitive prices.

Another threat has been the strength of sterling in the past 18 months, which has "hammered the margin", according to Mr Jones. But he adds: "By continuing investing in better equipment we've managed to sell the product. We are a low cost producer. As long as [competitors] don't get silly with their prices, we should do well."

**Jeremy Grant**

PROFILE CAS

# Tech behind the toons

"Painting did not die out just because sculpture was invented," says Ruth McCall, managing director and joint founder of Cambridge Animation Systems, the cartoon software company.

Her words are borne out by the fact that, in an area where technological developments are constantly redefining industry standards, CAS has won its first Queen's Award for export achievement in recognition of its position as the world's leading producer of two-dimensional cartoon animation software.

Its Animo system, which allows computers to eliminate several of the repetitive manual processes in cel animation, is the latest cutting-edge development in an evolution that began in 1928, when Walt Disney's "Steamboat Willie" saw the debut of a certain celluloid mouse who went on to be one of the most lucrative icons of the twentieth century.

Animo, an animation software package for film, television and multimedia production that can run on an ordinary PC, enables animators accurately to reproduce the quality and feel of their original creations.

Since a full-length animated feature can consist of several hundred thousand individual cels, eliminating the tedious re-drawing and re-painting steps gives cartoon producers a big advantage.

According to John Mills, managing director of London-based animators Telemagination, Animo "increases output by 30 to 40 per cent and reduces costs by 50 per cent".

Using its digital ink and paint facility, original drawings can be scanned into a desktop computer, and the animation director can then "paint" each individual cel using an electronic palette.

Once the colours have been specified, the cels can be painted automatically, while keeping their "hand-drawn" appearance. Developments in internet technology have allowed the process to be carried out anywhere.

Animo is now installed in many of the world's leading animation studios, including Warner Brothers and Steven Spielberg's DreamWorks, and the product has an installed base of more than twice that of its closest rival.

The first full-length animated feature to have been completed using the system was Warner Brothers' hugely successful "Space Jam". Max Howard, president of Warners' feature animation division, said the movie "couldn't have been completed without Animo."

A further eight films using the technology are currently in production. A new Warner feature, "The Magic Sword", is due for UK release next month, while the DreamWorks SKG studio has used Animo to produce a full-length feature, "The Prince of Egypt".

The system has also been used in several television shorts and advertisements, including the Inland Revenue's recent "Hector the Tax Collector", the cartoon character personifying the Self Assessment campaign.

The eight-year old company, originally backed by venture capital group 3i, had a turnover of about £2.5m in 1997, and is anticipating further success.

More than 1,300 licences for Animo have been sold throughout the world and later this year the software is set to be made available for the Windows NT system, expanding its reach further.

**Stephen McGookin**

TELECOMMUNICATIONS • by Alan Cane

# Winning lines

## Customer care software, cable capacity and network quality prove vital

Billing and analytical computer software, subsea cabling, microelectronics and mobile telephone systems proved to be winners for companies catering for the telecoms industries.

Well-tuned, efficient customer care software is vital in today's competitive environment. "It is the key differentiator," says Hubert Tardieu, director of the telecoms division of winning computing services company Sema Group.

All you need to become a telephone company, the old joke runs, is an interconnection agreement with the incumbent operator and a billing system. So with operators proliferating as liberalisation rolls back the barriers to competition, the market for billing software has expanded greatly.

Sema, Anglo-French by origin but quoted in London, says that telecoms is now its largest sector representing 18 per cent of the group's £1.13bn turnover last year, a 66 per cent improvement on the previous year. Sema develops customer care, billing and fraud management software. Its main customers are mobile phone companies in, among others, India, South America, China, Hong Kong and the US. Its flagship billing software CABS is used by 76 operators.

Cable and Wireless Marine, the ocean-going part of the UK's second largest telecoms company, owes its award largely to the insatiable demands of the internet for transmission capacity. Formed in 1983, it took a major step forward three years ago with the acquisition of BT Marine, creating the world's largest fleet of cable-laying ships with the capacity to operate in extreme conditions.

At the same time, the demand for new submarine cables capable of handling data communications soared with the growth of the internet. Revenues rose from £53m in 1994/95 to £180m in 1996/97 as it laid cables in the Caribbean, Asia, North America and Europe.

Some of C&W Marine's fleet of 12 ships were involved in laying two-thirds of of Flag, the fibre optic link around the globe, which is the single longest man-made structure. It has most recently been involved with Gemini, the advanced fibre optic cable running between New York and London, which is the first subsea cable laid expressly to exploit internet traffic.

ADC Metrica, the London-based UK subsidiary of the US group ADC Telecommunications, measures the performance of telecoms networks. Its specialised and costly software collects and analyses data from which operators of fixed and mobile systems are able to tell whether their networks are performing properly.

The competitive nature of telecoms markets is again crucial. No operator can afford to fall behind in network quality. ADC Metrica has seen its export earnings more than treble to £7.4m between 1995 and 1997 as its software has been adopted by operators as geographically distributed as Telefónica in Spain and Pacific Bell Mobile in California.

"Metrica helps us to deliver the quality of service that we simply have to deliver in the newly competitive, multi-service environment," says Brad Peterson, IT director for the Californian company.

The humble printed circuit board, which organises and connects electronic components into manageable units, has proved a winner for Prestwick Circuits of Ayr in Scotland. Founded in 1969, Prestwick is now the largest independent manufacturer of pcbs in the UK and the thirteenth largest in Europe.

The company makes pcbs for use in telecoms, industrial controls, vehicles, computers and consumer electronics. It exports more than 70 per cent of its output to Europe, Mexico, South Africa, Australia and Brazil. Its sales rose from just over £34.2m in 1995 to £42.5m in 1997, an increase of 24 per cent. A measure of the group's achievement is that it competes with over 4,000 pcb suppliers worldwide.

It is refusing to rest on its laurels with planned investment of £12m in new capital plant over the next three years with £6.5m invested in plant and machinery in 1997 alone.

Merechoice has its headquarters in Worthing, West Sussex, but has offices in Russia, Hong Kong and China. Established in 1986, it supplies radio pagers, mobile phones and other components of the communications revolution to markets in Scandinavia, western and eastern Europe and the Middle East. It is opening new fronts in Asia, India and Mexico.

The company supplies both standard off-the-shelf components and designs bespoke devices to its customers' requirements. It believes a personalised approach to its customers has transformed what could otherwise have been a conventional distributorship of electronic commodities.

Fighting spirit: an image from one of the stock collections of Visual Communications Group. VCG, one of the world's leading stock photography companies, distributes images to the advertising, design and media industries. It has a global serivce network of 81 agency partners in 61 countries and associate offices in key local markets. VCG's earnings come almost entirely from the licensing of image rights to clients across the world through its catalogue, CD and internet services. VCG/Telegraph Colour Library

PROFILE Sterling International Movers

# Relocation therapy

Peter Carter, managing director of Sterling International Movers, describes his company's approach as "part mover, part psychologist and therapist.

The stress associated with moving house is considered to rank just behind that of bereavement and divorce and Mr Carter attributes his company's recognition for a Queens Award for Export to its "stress-relieving" approach to the upheavals of corporate relocation.

"People are very stressed out and anxious when they are moving, we have to absorb the stress and smooth the way," he says.

Some of the "little things that make a difference", says Mr Carter, include the provision of transformers and plugs for use in more than 70 countries which are fitted to all the clients' electrical items just before the move.

Another touch is the valet service which provides washed and dried crockery and cutlery which is put away in the cupboards, freshly laundered bed linen and a vase flowers on the table – no stray boxes lying around and a finished home ready to live in.

Other services include guides and helpful hints on how to reduce any potential "culture shock" and avoid mistakes commonly made in the moving process.

Covering 70 countries, the guides lead the client through a range of topics such as schools, local customs, care of pets and where to find home-help. The guides are frequently updated to take account of changes in customs, visa and other regulations and even provide a "US to UK dictionary" for those words which acquire a different meaning in the Transatlantic crossing.

This is part of the attention to detail that has got the company noticed and helped it expand from nowhere six years ago to among the top 25 corporate relocation companies in the world today.

Sterling International Movers' turnover and exports have posted 60 per cent compound growth since its inception, handling more than 5,000 moves in 1997. The company started with just two employees and now has over more than 120.

Both Mr Carter and Richard Levine, co-founder, joint owner and the finance director of Sterling, had previous experience in international relocation before setting up the company.

Mr Carter believes that the company's individual, tailored approach is another reason for its success. He is still involved directly with clients, personally handling about 25 per cent of the company's customers.

The company has recently invested in a tracking system to help clients monitor the progress of their move from packing to delivery. Each aspect of the relocation is monitored and logged on to a computer system accessed by e-mail and the internet. Clients can see immediately exactly where their shipment is and if there are any delays due to port strikes or bad weather.

Mr Carter says that clients find the tracking system reassuring, saving them from making repeated phone calls to check on their shipment. Customers are given a user identification and information is kept confidential through a password protected basis.

Sterling International Movers has built up a strong client base which includes 60 of the top 100 companies in the UK. Business is obtained through referrals, word of mouth and repeat custom.

"The success of Sterling is living proof that everyone in the company has a total commitment to quality," Mr Carter says.

**Anne Counsell**

THE DRINKS SECTOR • by James Buxton

# Pleasing to foreign palates

## Bars, restaurants and private clients are growing to like British drinks

You might think a UK company trying to sell British brown ale alongside American beers in downtown bars in US cities was setting itself a tough task. But Scottish & Newcastle is one of a small number of UK brewers that are succeeding in this objective and has now won its first Queen's export award.

"We are selling dark beer in a blond beer market and we are doing well," says Richard Gibb of S&N. Exports of Newcastle Brown to the US have grown by 110 per cent in two years and are "the engine of our export growth". Last year S&N exported 170,000hl of the beer from the Newcastle brewery.

To develop beer sales in the US S&N has set up an importing company in San Francisco. "We have pushed up sales by finding the right distributors who sell to the right retail outlets," Mr Gibb says. "They understand what we want to achieve."

The US subsidiary does not advertise heavily but has built up a network of upmarket bars where the barman can be expected to recommend Newcastle Brown to drinkers who want to try a new beer. Sales are strong in parts of California and in other western states such as Colorado, but the beer can be found in almost all parts of the US, Mr Gibb says. The US is easily the biggest market of the 50 countries to which S&N sells.

Morrison Bowmore Distillers is one of the few companies to win the Queen's export award in three successive years. Exports grew by more than 50 per cent in the most recent three-year period, 1994/1996, following annual growth rates of 33 per cent in 1993, 50 per cent in 1994 and 78 per cent in 1995.

Exports now represent more than 75 per cent of total sales, which in 1996 were £31.2m. Morrison's main markets are France, the US, South America and worldwide duty free outlets.

The Japanese drinks company Suntory has owned Morrison Bowmore Distillers since 1994. Its export performance was transformed in the early 1990s by a switch from selling whisky in bulk to promoting its brands. It has three distilleries – Bowmore, on the island of Isla, Auchentoshan in the Scottish Lowlands, and Glen Garioch in Aberdeenshire, enabling it to sell three very different types of single malt.

Another whisky producer to win an export award is Macallan Distillers, part of the quoted Highland Distillers. Its exports have doubled since it won its last award in 1993, exceeding 200,000 cases for the first time in 1996/97, with a jump of 22 per cent in the Americas. The US is easily the biggest market, with its leading brand, The Macallan, now the fourth best selling Highland malt whisky.

William Grant, one of the very few privately-owned whisky companies, has won the Queen's award for the third time. Exports make up more than two-thirds of its sales, which in 1996 were £323m.

Its Glenfiddich brand is the best-selling single malt in the world as well as in the UK, though the company's biggest selling product in terms of volume is its blended whisky William Grant's Family Reserve.

Corney & Barrow, the City of London firm which is one of the Britain's oldest wine merchants, has won a Queen's export award for the wine broking offshoot it established in 1992. Wine merchants in the UK are importers almost by definition. But Corney & Barrow has developed a niche by exporting fine wines to wine merchants and wealthy individuals in the US, east Asia and continental Europe.

The beauty of Corney & Barrow's operation is that it does not have to pay to store the wine while it matures. Private clients buy cases of good clarets and vintage port from it en primeur, have them stored in its cellars and, when values have appreciated, sell them back to the company, possibly retaining a case or two for drinking.

"This award confirms the UK as the world centre of fine wine trading," says Adam Brett-Smith, managing director of the company.

H.P.Bulmer, the cider producer, has succeeded through promotional campaigns in developing a taste for cider in 30 countries in Europe and North America and is responsible for 60 per cent of the UK's cider exports.

But though its exports grew by 30 per cent in 1996-97 to £11.7m, they still made up only 5 per cent of its turnover.

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PROFILE Cambridge University Press

# Spreading the words

Every week during term time, 16 senior Cambridge University academics meet in a small room to decide whether or not to publish books that will bear the Cambridge University Press publishers stamp.

CUP is a non-profit making organisation and, with a brief simply to "advance education and knowledge", its mandate is anything but commercial. Yet despite operating in the cut-throat world of book publishing, CUP has managed to increase exports over the past six years by £22m to £266m.

For Nicholas Reckert, the international sales director, there is no contradiction between export growth and a non-commercial brief. Since its success, he says, is founded on jealously protecting the brand, the non-commercial brief is, ironically, an advantage.

But CUP's strength has also been built by operating much like any commercial publisher. "We have to be aware that we can go under just like any other publisher," Mr Reckert says. So CUP has been an aggressive publisher, issuing about 2,000 books a year, a level that has been growing steadily over the past decade.

It has expanded its international operations over the years but the biggest change took place about 16 years ago, with the decline in the school textbook market in Commonwealth countries.

This forced CUP to change its focus to what it describes as its English Language Teaching section – now the largest of its internal categorisations – which includes dictionaries and books on such things as English grammar and "how to" guides on learning the language.

At about the same time, CUP opened offices in France, Germany and Spain. It was a propitious change. Not only did it increase vastly the potential market for CUP's books outside the English-speaking world, it also coincided with an intensification of economic globalisation and an increased need to communicate across borders – boosting the learning of languages.

Mr Reckert acknowledges that this has helped push up sales of English language teaching books which in turn has "pulled along" sales of other sections, notably academic books. But he stresses that it has been part of the conscious policy of CUP to leverage the sales of its English language teaching books to other sections. In fact, he says, one of the reasons for the CUP's success has been its decision against "excessively specialising in one area".

More recently, the focus on English has also changed, with about 50 books being published in Spanish last year, a response to the economic and cultural boom being experienced by the Spanish-speaking world.

The growth of international markets has helped CUP create a dynamic environment which attracts the high quality staff needed to run a publishing operation. Five regional directorates have been established and rather than using expatriates, many staff are now hired locally and encouraged to take their own initiatives. "We like to give them their heads," Mr Reckert says.

The result has been that the world's oldest publisher is now exporting books to almost every country in the world. Education and knowledge are being advanced – and CUP is making money.

**Tim Cohen**

Something fishy: Seafood Marketing International, which has won a Queen's Award for Export, imports warm water shrimps which are then cleaned, cooked and packed for the frozen food and catering industries under a range of different brand names. More than 80 per cent of its total earnings come from 170 customers in 13 European countries and the US *Tom Pilston*

HEALTHCARE COMPANIES • by Daniel Green

# Conspicuously absent

## Many of the UK's best-known names do not appear in the list of winners

Healthcare companies of all sizes are well-represented in this year's Queens Awards for Export, but many of the UK's best known names in pharmaceuticals and biotechnology are absent, and the running is taken up instead largely by big non-UK companies and smaller domestic companies.

Winning for the second year in a row is the Grimsby site of Novartis, the Swiss drugs company.

Exports in 1996, the year for which these awards have been made, were worth £146m, out of total sales from the site of £151m. That compared with £94m from £99m in 1995, for which it also won a Queen's award.

The products are the ingredients that go to make up some of the world's best selling medicines, including tegretol for epilepsy and the pain-killer voltarol, as well as crop protection products and herbicides. Many of the export markets are in Europe, but one controversial product, ritalin, for children diagnosed with "attention deficit disorder", is sold largely in the US.

The growth is largely the result of a huge investment programme in the plant, worth more than £300m so far this decade. And the company says that the recent strength of sterling is unlikely to affect exports.

But even that growth pales next to the 450 per cent sales increase recorded by Johnson & Johnson Medical, a subsidiary of the broadly-based US healthcare company. J&J medical took over a textile mill in Gargrave, Yorkshire, in the 1930s to make bandages.

Now that plant supplies hospital and operating theatre products ranging from X-ray detectable swabs (in case the surgeon leaves them inside a patient's body by accident) through to disinfectants, drapes and stents – metal mesh cylinders surgeons can insert to hold open blood vessels and other tubes in the body that might otherwise be blocked.

J&J Medical sells to the UK's National Health Service as well as NHS equivalents around Europe and through its own distributors on continental Europe.

The best-known wholly UK supplier to win an export award is Zeneca, the UK's third largest pharmaceuticals company, for its life science molecules division. It follows a technology award a year ago.

The company makes specialist chemicals for healthcare and agrochemicals. Exports are to the main countries with agrochemicals and pharmaceuticals companies, namely Germany, Japan, Switzerland, France and the US. Exports are up 80 per cent over three years and account for two thirds of sales.

The growth in the world pharmaceuticals industry has created demands which, in some cases, the NHS can supply. One of the smallest of this year's export award winners is Hammersmith Medicines Research, which consist of a group of doctors, nurses and support staff. Their company was formed in 1993 and rents space in the Central Middlesex Hospital to the west of London.

Staff conduct tests of drugs in development for pharmaceuticals and biotechnology companies. These involve measuring the safety, efficacy and tolerability of new medicines first in healthy volunteers and then in patients.

The company concentrates on the smaller early trials, and specialises in asthma and allergies, gynaecological conditions and contraception.

In the three years to January 1997, sales tripled to £3.5m, with exports accounting for more than half this figure. Hammersmith Medicines Research counts companies in 12 countries among its customers.

This kind of work helps confirm the UK as Europe's biggest centre for the conduct and management of clinical testing of medicines.

PROFILE De La Rue Holographics

# Foiling the forgers

The rising tide of bootlegging and counterfeiting in the past decade – notably in Asia and eastern Europe - has offered rich pickings for De La Rue Holographics (DRH). "With the rise of global brands, companies are increasingly worried about counterfeiting, particularly when they sell into risky markets," says Philip Hudson, managing director.

A subsidiary of the security printing group, DRH makes sophisticated holographic patches and strips used to authenticate products vulnerable to counterfeiting. Developed to protect banknotes and credit cards, they are now used increasingly for branded products, such as videos and Scotch whisky, which are sold into export markets prone to bootlegging.

Exports have doubled since 1994/5, reaching about £5m in the year to May 31, 1997, when they accounted for more than half total sales of just under £9m. Mr Hudson expects turnover to reach about £12m in the current financial year. Most of the growth has come from export sales.

De La Rue, a leading producer of banknotes and credit cards, set up DRH in 1987 to develop holograms as security devices. The introduction of the colour photocopier in the 1980s had made it easy for forgers to reproduce traditional security printing techniques. De La Rue was anxious to find new technologies to protect its products.

DRH has built up a large customer base overseas for its bank note and credit card holograms, providing holographic stripes and patches for European currencies, such as the Polish zloty, the Swiss franc and the German mark.

Since the European Central Bank confirmed that banknotes for the new single currency – the euro – will carry holograms when they are issued in 2002, DRH has been preparing a bid for the contract. The company has also built up a 20 per cent market share in the global market for credit card holograms.

Last year, DRH secured accreditation from Visa to supply issuers of Visa cards with holograms. Previously, the contract had been held solely by American Banknote. Every year, about 500m Visa cards are issued. DRH estimates it holds about 50 per cent of that market.

In building its banknote and credit card business, DRH has been helped by its relationship with De La Rue. But the company has also been successful developing new business lines, particularly in the countries of the former Soviet Union.

Having won contracts there in the early 1990s to make security devices for banknotes and passports, DRH expanded into the protection of copyrighted products – video tapes and compact discs. It also worked with governments in Latvia, Lithuania and Azerbaijan to produce hologrammed tax stamps for cigarettes and alcohol, helping to improve duty collection on those products. Increasingly, it works with branded goods manufacturers to protect their products in international markets. Mr Hudson stresses that DRH has not just piggybacked on De La Rue's products into export markets. "Only 16 per cent of our turnover is internally generated," he says. "In any case, brand protection is a new area for De la Rue."

**Jonathan Ford**

PROFILE Nauticalia

# Not Cool Britannia, Rule Britannia

It's not so much Cool Britannia as Rule Britannia for Nauticalia, a seller of nautical gifts and memorabilia, is concerned.

The family-run business, set up in the mid-1970s by Lynn Lewis, a former BBC TV presenter, has capitalised on interest in Britain's naval heritage, at home and abroad. This is the first time it has won the award after several applications.

Exports have more than trebled since 1994/95, reaching £1.27m in the year to May 31 1997 when they accounted for about a third of total sales of £3.58m. Mr Lewis, 60, whose son-in-law Chris Murdoch is the company's sales director, expects Nauticalia's turnover to reach £5m in the current financial year.

Mr Lewis and his wife, Val, began by selling nautical antiques to passing boat owners from a former rubbish barge on the Thames. They soon turned to replicas because they were unable to find enough antiques to meet demand.

Today, Nauticalia's top sellers include blazer buttons modelled on Nelson's and replicas of the gold rings he exchanged with Lady Hamilton, his mistress.

Continental Europe is the main export market, with France and Germany accounting for 13 and 12 per cent respectively of overseas sales in 1996-97. "We've discovered that there's not much difference in selling to a small shop in Dusseldorf or to one in Oban," says Mr Lewis. "We target smaller retailers that other people wouldn't bother with and we invoice them in their own currency and speak to them in their own language."

Staff, who number about 50, up from 26 in 1995, are encouraged to learn new languages and receive bonuses when they do so.

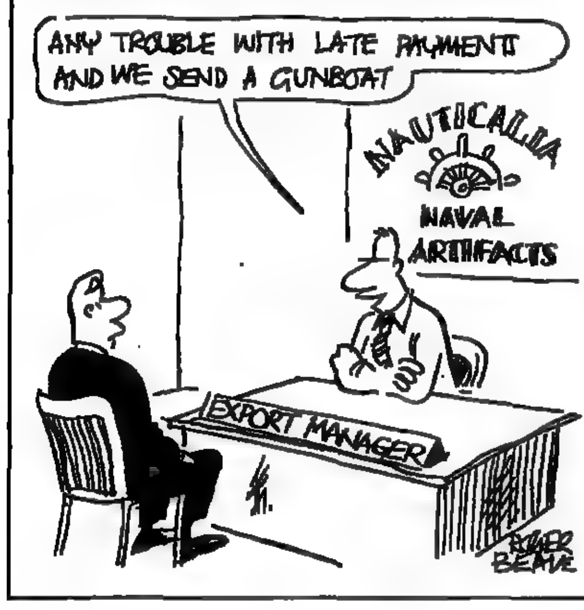
The company uses distributors for the containerised shipments to markets further afield, such as the US, Singapore, Argentina and Russia.

Nauticalia publishes a mail order catalogue, which brings in about a fifth of sales, and has five shops in the UK, which also account for about a fifth of sales.

Many of the goods, while British in design and tradition, are produced overseas, including in India. Mr Lewis says it became too expensive to produce items such as hand-made ship's bells and model wooden sailing ships in the UK. In addition, the high level of imports helps to insulate the company against the strong pound.

The Lewises started the business, based at Shepperton-on-Thames near London, by mortgaging their home and have continued to finance it through short-term bank borrowings and by reinvesting profits.

**Virginia Marsh**



Chic savage: John Fairchild, editor of fashion bible, Women's Wear Daily, rates Westwood one of the world's best six designers

PROFILE Brintons

# Making a pile

Brintons, the family-controlled company based in Kidderminster, which wins an export award for the first time, is a successful survivor in the ailing UK carpet industry.

Kidderminster, once the carpet capital of the world, now employs about 2,500 people in the industry. Thirty years ago more than 15,000 people in the Worcestershire town were making carpets.

Brintons, which employs 2,000 people worldwide, with plants in Portugal, Australia and New Zealand as well as the main Kidderminster factories, is now among a handful of international manufacturers that produce high quality woven carpets for big contracts such as those placed for hotels, public buildings and cruise liners.

Recently, it completed the world's largest Axminster contract for 135,000 metres – some 35 acres – of woven carpet for Hong Kong's new airport. The project was worth £6.5m.

Until the early 1970s the company, which was established in 1783, manufactured middle-range woven carpets. However, intense competition, including that from manufacturers of cheaper "tufted" carpets, persuaded the company to move upmarket.

Using new computer design technologies it began to specialise in the design and production of carpets to client specification. A recent contract for Disney, for example, has a Mickey Mouse motif in the design.

Most of what it exports is in the form of contract work. In the UK, where its consumer advertising has featured super-models wearing Vivienne Westwood designer clothes made out of its carpets – it mainly supplies the upper end of the residential market. Exports account for nearly half of total sales, which are worth about £100m.

The company exported for many years, with a sales representative in the US as early as 1855. However, Michael Hardiman, the company's public relations manager, says the real emphasis on exports has been made in the past 20 years, with growth of more than 50 per cent in the past five years. Fifty seven agents assist the company in its exports to to countries – making Brintons the UK's largest exporter of woven carpets.

**Lisa Wood**

THE TEXTILES SECTOR • by Lisa Wood

# From rags to riches

## Winners range from clothing recyclers to top international fashion designers

A business that started on a barrow and another whose owner has been ranked as among the best six designers in the world are among the several recipients of the export award in the textiles sector.

W. H. Tracey Textile Recyclers, based in Bury, has its origins in a rag-and-bone business set-up by William Tracey in 1935. The family-owned company started to export when demand for shredded garments – used in a variety of activities including upholstery – fell about 10 years ago.

Today the business, which is visited daily by Mr Tracey, aged 82, employs 106 people and exports sorted second hand clothing and footwear to Kenya, the Baltic States and Pakistan. Export earnings more than doubled from 1995 to 1997 – a time when the business moved to larger premises to accommodate new orders.

About 200 tonnes of clothes are bought from charity shops every week, sorted, bailed and then dispatched to their destinations in containers. "One of the reasons for our success is that we listen to what our customers want," says Philip Bradburn, the company's chief executive. "We would not export anything that we would not wear ourselves. People who buy our clothes are fashion conscious."

Ward Shoes of Sheffield, which is winning an export award for the first time, is involved in a similar business. It exports footwear, including shoes which have been returned by home customers as unsatisfactory and end-of-the-range shoes which are not brought to the market place.

Its main markets are in Africa, with business developing also in eastern Europe. About three-quarters of its sales are exports.

Vivienne Westwood's company, a first-time export award winner, supplies a very different type of customer. John Fairchild, editor of the fashion bible, Women's Wear Daily, rated Ms Westwood one of the best six designers in the world in his book, *Chic Savages*.

While Ms Westwood has been designing clothes since 1971, her company began trading in its present form in 1992. Exports have more than doubled in the past three years, and important markets include Japan where the company has set up licensing agreements with a number of Japanese manufacturers for products, including handkerchiefs and umbrellas, bearing Ms Westwood's name.

Exports now account for about 50 per cent of sales. Most of Ms Westwood's clothing used to be manufactured in the UK but recently she has switched the majority of production to Italy. Christopher Di Pietro, the company's sales and marketing manager, said that this was a source of regret, but it was difficult in the UK to find manufacturers that were able to meet the company's needs. On the one hand there were large-scale producers and on the other there were craft workers but there were few companies that were in-between.

Ariella Fashions, which is also winning the award for the first time, is not a couturier like Vivienne Westwood but its women's evening wear and a range of clothing for business women are design-orientated. One of the co-heads of its design team, Christina Stamboli, has created clothes for the late Princess of Wales.

The business was set-up in 1966 by the late Aristos Constantinou, a graduate of the London School of Fashion. He and his brother, Achilleas, had a number of shops in London.

In the mid-1980s the company switched its operations from retail to wholesale and it now designs and manufactures its own range.

All the manufacturing is carried out in the UK, contracted to seven independent production units sited at its headquarters in north London. The "made in the UK" label, is a positive element of the clothes' attraction to overseas buyers, says Achilleas Constantinou, the company's managing director and principal shareholder.

Ariella, which markets its clothes overseas under the Ariella label – with UK sales mainly "own label" for department stores – has increased exports by more than two-and-a half times in three years: they now exceed two thirds of total sales.

Mr Constantinou attributes the increase in exports largely to increased exposure at international exhibitions and a switch to agents rather than distributors. Agents, he says, give Ariella, more control of its market.

Lloyd Loom of Spalding also has recently participated in several specialist overseas international trade exhibitions and has overhauled its management system responsible for communications with overseas representatives.

Winning the export award for the first time, the company manufactures woven fibre classic and contemporary furniture and a new floor covering "LoomTex" launched in 1997. The main markets for the company's exports, which more than doubled over the past three years, are in Europe.

PROFILE Enid Blyton Ltd

# Toyland turns in profits

The club of the UK's top exporters, which includes hard-driven investment bankers and industrialists, has an unlikely new member: Noddy. The happy little elf has gained an entree by winning a Queen's Award for Export for Enid Blyton Ltd, the company selling licensing rights for books and products bearing his image.

Noddy and his companion Big Ears are backed up by the Famous Five and the Secret Seven, bands of children also created by Enid Blyton, the writer whose works have been devoured by generations of English children as keenly as they have been excoriated by trendy educationalists.

The characters have generated margins that would turn most captains of industry green. The company made profits of £860,000 on turnover of £1.6m in 1996. This rose to £2m on revenues of £3.8m last year, despite a rise in the value of sterling of about 10 per cent against the European currencies in which the company deals.

About 45 per cent of profits now come from exports. Since Trocadero, the leisure company, bought Enid Blyton Ltd for £14m from the estate of Blyton, Noddy has joined battle on the continent with local rivals such as the Smurfs and Asterix.

His success, says David Lane, the former law lecturer who is managing director of Enid Blyton Ltd, is because "Blyton understood children's minds and wrote for them alone". An image makeover has also helped, he says. "We have revamped the graphic style so that Noddy has a 1990s look instead of a 1950s look, and brought the stories up to date by putting them into modern language."

However Mr Lane disavows responsibility for one of the most controversial reforms – the transformation of the mischievous Golliwogs into gremlins to appease campaigners for political correctness. The change took place before Trocadero became involved, he says.

Before the takeover, overseas income came mainly from royalties on book sales in France and the Commonwealth. Mr Lane has vastly expanded the use of Blyton branding, applying the characters' names and images to everything from interactive CD-ROMs to chopsticks.

He has also taken the company into Germany, where 18 months ago it struck a deal with Bertelsmann, the publisher, to sell German translations of works by Blyton.

Elsewhere, a long-standing relationship with Hachette, the French publisher, was given a boost by raising the number of titles licensed from 30 to more than 80.

Television is the key to turning Noddy and his friends into real forces to be reckoned with in the character licensing business. A successful TV show vastly increases the brand value when applied to merchandising.

Enid Blyton Ltd launched a 40-episode series *Noddy in Toyland* at Cannes this year. The series, made in collaboration with BBC Worldwide, features a mix of live action, animation and puppetry.

Mr Lane has his fingers crossed for the Teletubbies, the four fluffy TV characters currently trying to crack the fickle US market. If they succeed, it augurs well for Enid Blyton Ltd. The US is the company's next target.

**Jonathan Guthrie**

Hatfield-based Otodynamics and the Institute of Laryngology and Otology have produced a small instrument that can be used easily by doctors and nurses to test the hearing of babies. Results can be downloaded into a hospital data system *Brendan Corr*

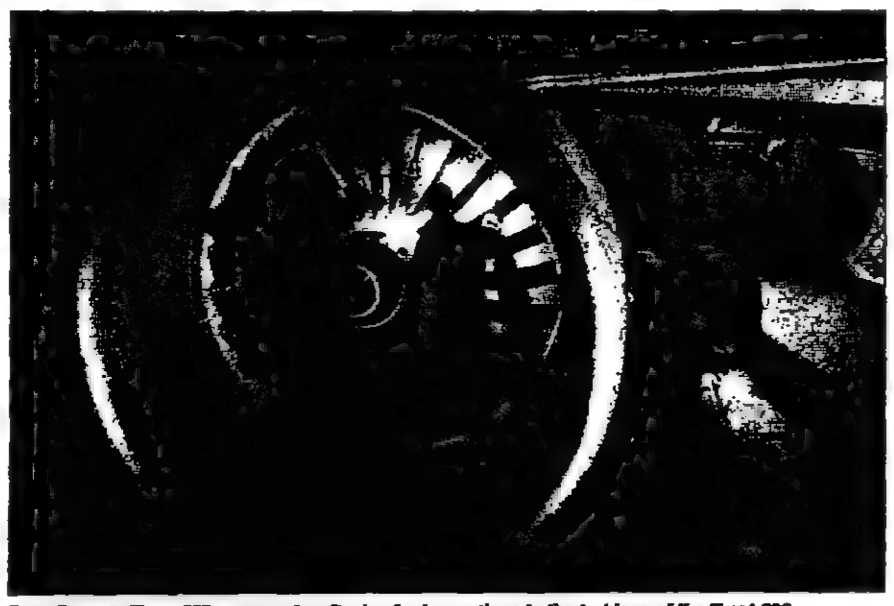
**The Queen's Awards for Technological Achievement 1998**

| Name | Location | Product/process |
|---|---|---|
| Advent Communications | Chesham, Bucks | Motorised mobile satellite communications system – "NewSat" |
| BBC Research and Development | Tadworth, Surrey | Motion compensated TV standards converter |
| DRS Hadland | Tring, Hertfordshire | The Imacon 468 ultra-high-speed imaging system |
| Electronic Techniques | Ipswich, Suffolk | Vacuum encapsulating of minute safety-critical electronic components |
| Institute of Laryngology and Otology | London WC1 | Screening technology for detecting hearing deficiencies in newborn babies |
| The Imaging Division of Nycomed Amersham | Little Chalfont, Bucks | Myoview imaging agent for the study of heart disease |
| Otodynamics | Hatfield, Herts | Screening technology for detecting hearing deficiencies in newborn babies |
| Rolls-Royce Engineering & Technology | Derby, Derbyshire | Gas turbine high temperature technology |
| Seos Displays | West Sussex | Multi-projector wide field-of-view display systems |
| Smiths Industries Aerospace | Cheltenham, Gloucestershire | Electrical load management system for civil passenger aircraft |
| Snell & Wilcox | Petersfield, Hant | Motion compensated TV standards converter |
| Stewart Hughes | Eastleigh, Hampshire | Monitoring systems for detecting defects in helicopter engines and systems |
| Surface Technology Systems | Newport, Gwent, Wales | Anisotropic plasma etching of silicon |
| Surrey Satellite Technology | Guildford, Surrey | Modular microsatellite |

**TECHNOLOGICAL ACHIEVEMENT** • by Andrew Baxter

# Plenty left to celebrate

## While the number of winners has fallen, the quality of products is encouraging



Rolls-Royce's Trent 800 aero-engine: it wins for innovations in the turbines of the Trent 892

As each year goes by, the aura of exclusivity surrounding the technology awards seems to intensify. In quantity terms, this has not been a vintage year, but there is plenty for the dwindling band of winners to celebrate.

Only five years ago, when environmental awards were stripped out for the first time to create a separate category, there were 25 technology award winners from 352 applications. This time, just 14 out of 207 applicants have caught the judges' eyes.

It is risky to draw conclusions about the condition of corporate UK's technological base – or of the award organisers' marketing efforts – from these figures. The number of winners has been drifting downwards over the past five years, as has the quantity of applicants, but the success rate (winners as a percentage of applicants) has stayed at about 6-7 per cent.

Encouragingly, four of this year's winners have never won a Queen's Award of any type before, and two have won at their first attempt. A further four winners are "current" holders, which means they have achieved an award over the past five years. As ever, companies large and small are included - three of the winners have fewer than 50 employees, and nine have fewer than 200.

Pride of place, perhaps, should go to Rolls-Royce's "treble". Apart from its technology award, two other parts of the group's aerospace business picked up an export and an environmental award between them. The technology award was for innovations in the turbines of the Trent 892, latest member of the Trent 800 aero-engine family.

These innovations allow increased power, so that short, high-altitude runways can be used on hot days, increased efficiency to maximise range and payload, and high reliability to permit twin-engined flight across oceans at entry into service.

The Trent 800 was designed for the Boeing 777, as was the innovation behind another award, the Electrical Load Management System from Smiths Industries Aerospace. The result of a three-year, £40m development programme, ELMS is an integrated power management system which controls and distributes power throughout the aircraft, covering functions ranging from galley ovens to engine fuel supply.

The first integrated system of its type, it eliminates more than 13 miles of wiring and a large number of separate components and circuit cards, halving weight and volume and increasing systems reliability by more than 30 per cent.

A "double" winner – for export and technology achievement – was Seos Displays. The privately-owned West Sussex-based company, with about 130 employees in the UK and US, makes visual display systems, primarily for research and training simulators used in the aerospace and transport sectors.

The latest accolades stem from an initiative – launched in 1995, when the company won its previous export award – to continue aggressive, export-led growth strategy through investment in R&D, but shift from making lower-cost variants of available products to becoming a world leader in its chosen field, introducing technological innovations regularly.

The award is for the development of the core technologies common to two multi-projector wide field-of-view display systems launched since 1995. One, Prodas, projects real images, while Panorama uses large collimating mirrors to project virtual images (collimation aligns the display with the user's line of sight).

An important element is the use of digital technology to improve geometric correction of images, and enhance the blending and colour matching of adjacent projected channels.

These awards would not be complete without some health-related winners, although there are fewer this year then normal. Hatfield-based Otodynamics and the Institute of Laryngology and Otology at University College London Medical School each gain an award for an important development in hearing test technologies for babies.

Ten years of collaboration between the two winners have gone into developing the echo test technique, invented by UCL's Professor David Kemp, into a small instrument that can be used easily by doctors and nurses.

Nycomed Amersham's imaging division, meanwhile, gets the accolade for Myoview, a diagnostic agent used to identify heart disease. Myoview is a radiopharmaceutical imaging agent, in which gamma-emitting radio-isotopes with a short-half life are attached to biological molecules or carriers, and then detected with a gamma camera to produce an image. To provide information on the function of heart muscle, which is vital for decisions on treatment, the thallium-201 radio-isotope has bene used since the 1970s, but Myoview uses technetium-99m, which gives a better image with a lower radiation dose. The challenge was to identify the right molecular carrier, and the result is quicker completion of heart studies in a field where early, accurate diagnosis is essential.

**The Queen's Awards for Environmental Achievement 1998**

| Name | Location | Product/process |
|---|---|---|
| Energy Technology & Control | Lewes, East Sussex | Energy conservation & reduction of harmful emission to air from combustion processes in industrial boilers |
| Euro Chemical Control | Leeds, West Yorks | The Devex developer recycling management system for the film processing industries |
| Pilkington | St Helens, Merseyside | Pilkington 3Rm technology to reduce NOx emissions in glass melting furnaces |
| Rolls-Royce Aerospace | Derby, Derbyshire | Low NOx aeroengine combustor |

**ENVIRONMENTAL ACHIEVEMENT** • by Leyla Boulton

# Green at the margins

## Winners show that making money and caring for the planet are not incompatible

Pilkington has developed technology reducing pollution and cutting the costs of melting glass

While the possibility of making money at the same time as helping the environment may sound too good to be true, a number of companies that have won the Queen's Environmental Awards this year prove that it can be done.

Pilkington, the Merseyside glass manufacturer with 35,300 employees, has won an award for developing technology which reduces pollution and cuts the costs of melting glass.

But Pilkington's secret is not the preserve of large companies alone. Energy Technology & Control, an East Sussex company – with only 16 employees – received an award for a system reducing emissions and costs by controlling electronically the amount of fuel and air pumped into combustion boilers. Terry West, sales manager at Energy Technology & Control, says the company's system for dosing the ratio of fuel to air to minimise waste and air pollution delivers both financial and environmental gains.

"A lot of companies want to be seen to be green but see no financial payback. With this there is a payback so they are encouraged to put it in," he says. Costing £1,000 to £2,000 per unit, the electronic system "will sell wherever energy costs are high because of the fuel saving it offers".

It has found clients in a range of sectors in the UK and abroad, ranging from breweries and chemicals to paper mills and hospitals.

Energy Technology & Control, says it is "just in the black", has annual sales of £1m. While the company's markets include not only "green" markets such as Scandinavia, Germany and Japan, but also Hong Kong and Malaysia, it aims to expand its overseas sales.

Kelly Birnbeck, of Business in the Environment, a non-profit organisation that aims to encourage greater environmental awareness among business, says that a big obstacle to smaller companies developing green technologies is a lack of finance.

Energy Technology & Control – which emerged as an independent company after a management buy-out 10 years ago – was fortunate in this respect. A grant from the Department of Trade and Industry and the existence of a potential buyer for the product provided ample encouragement to develop its new process.

The government is encouraging companies to embrace the simultaneous reduction of their raw materials consumption and their emissions of polluting discharges. It is an idea that companies are warming to, particularly if they can identify financial benefits in the process.

Dubbed "eco-efficiency" by Stephan Schmidheiny, the "green" billionaire, this process is seen as killing two birds with one stone: meeting environmental standards while cutting costs. The stricter the environmental regulations, the greater the commercial benefits to be derived from going green.

Derek Norman, director of environmental affairs at Pilkington, describes the company's 3R Clean Air Process as the best available technique for meeting likely new Integrated Pollution and Prevention regulations from the European Union.

If tough standards are devised for the glass industry, Mr Norman expects 3R to emerge as a clear favourite over the rival Phénix process developed by St Gobain, the French glass-maker.

A race towards greater "eco-efficiency" is also in evidence in the other two products that have won the Queen's "green" award.

One of these is a new combustion chamber from the aerospace arm of Rolls-Royce, allowing aeroplane engines to cut polluting emissions while carrying more passengers.

The company says that the new combustion chamber, which can be retrofitted to some existing engines, will enable a new generation of aircraft comfortably to meet emerging new EU air pollution and noise standards.

Again demonstrating the innovative potential of small businesses, Euro Chemical Control, with 44 employees, won an award for its computerised system enabling film processors to re-use the chemicals used in developing film. This economises on both the use of the chemical and the discharge of polluted water from it.

**PROFILE** J Henry Schroder & Co

# The independent view

The Queen's Award to the international energy and projects division of J Henry Schroder & Co, the UK merchant banking subsidiary of Schroders, is one in the eye for "one-stop shopping," a contested concept among investment bankers.

Schroders won the award for exports because earnings from its main markets in Asia, Latin America, the Caribbean and the Middle East nearly trebled between 1994 and 1996.

The central premise of the Schroders unit's role as adviser to governments, bidders, trade buyers and contractors in privatisations and privately financed projects is its independence. Unlike integrated rivals, Schroders takes no other role in its deals, either as lender or equity investor.

"As long as we can persuade customers of the merits of independent advice, we're at an advantage because most of our competitors are lenders," says John Burnham, head of projects and privatisations since January 1997.

This single mindedness has enabled Schroders to keep its head when competitors' appetite for the fray wanes. Many rivals appear to be driven primarily by the desire to supply equity to investors or to pump up their lending. This can leave them open to the suspicion that advice is only the bait grudgingly offered to entice a bigger catch.

Schroders also has a breadth of products and geographical exposure allowing it to view events in south-east Asia, one of its main markets for project finance, with equanimity. "It all continues apace," Mr Burnham says, although the mix of business has changed. "It's only a flip from projects to privatisations and restructuring." Moreover, he says, although projects in Malaysia, Indonesia and South Korea have been badly affected, those in other Asian countries have not.

From 1994 to 1996, it advised on the privatisation of the Hungarian electricity industry, and on project financing for the air cargo terminal at Hong Kong's new Chek Lap Kok airport. In Malaysia, it advised on financing for the world's largest greenfield container terminal in Johor state and on water privatisation in the state of Selangor.

Schroders export success is built, in part, on its experience in the UK, both in project finance and privatisations. Founded in 1972, four years before Mr Burnham joined it, the division initially focused on finance for oil and gas and mining projects. As private capital began to be used for infrastructure projects, it advised the UK government on the Channel Tunnel and the Queen Elizabeth II bridge at Dartford.

Outside the UK, an early deal was advising the contractor on the construction of private power stations in Hong Kong in the late 1970s. It later advised the Hong Kong government on construction of the second cross-harbour tunnel.

Schroders had a role in many UK privatisations, advising the government on the sale of the water industry and stakes in Cable & Wireless and Associated British Ports. It advised BAA when the airports operator was sold.

The UK's pioneering role gave Schroders and other British banks a head start on privatisations elsewhere. "You have to adapt. There were lessons to learn from the British experience, but not everything was perfect," admits Mr Burnham.

League tables are not especially reliable in the private finance sector, since they measure the number of mandates rather than advisers' hit rate, a better financial benchmark since success fees are usually much larger than retainers.

Schroders has ranked second in global rankings in the past three years, even though it takes a selective approach. Mr Burnham says: "We concentrate on big and complicated deals. That's where we believe we can add value."

**Clay Harris**

## The Financial Times, Booz-Allen & Hamilton Global Business Book Awards

### Finalists

Twenty-three books published in 1997 have been selected as finalists in five main categories for these awards. The finalists in each category are shown on the right. The winner of each category receives a $5,000 award and is a contender for the grand prize, the *Best Business Book Award*, which carries with it an additional $10,000 prize. The winners of these awards - plus a Judges' Prize, to be awarded at the judges' discretion, to one of the most influential business books of all time - will be announced at a ceremony in New York on May 20. The results will be published in the Financial Times on May 21.

### Winners of two special prizes

Two additional prize winners have already been selected. The Lex Prize ($5,000) has been awarded by the Financial Times for the best business history published in 1997; and the Edwin G. Booz Prize ($5,000) has been awarded by Booz-Allen & Hamilton for the most insightful, innovative management book published in 1997.

**The Lex Prize**
This has been won by Rich Desserts and Captain's Thin by Margaret Forster (Chatto & Windus). The book charts the rise over 100 years of a small 19th-century family biscuit-making company in the North of England that became Carr & Co, the international company.

**The Edwin G. Booz Prize**
This has been won by The Living Company by Arie de Geus (HBSP/Nicholas Brealey Publishing). The book describes how the key to corporate long life is for the company to be a "living entity" rather than merely an economic enterprise. The author worked for Royal Dutch/Shell in three continents over 38 years.

**Further information is available on the awards web site: www.gbba.com**

**Cannibals with Forks by John Elkington (Capstone)** How to pursue sustainable growth and achieve economic prosperity, environmental quality and social justice.

**Corporate Creativity by Alan Robinson and Sam Stern (Berrett-Koehler Publishers)** Guide to promoting improvements and breakthroughs with detailed examples from companies around the world.

**Intellectual Capital by Thomas Stewart (Doubleday)** Three kinds of intellectual capital - human, structural and customer - what they are and why they're important.

**Machtwechsel im Management by Uwe-Renald Mueller (Rudolf Haufe Verlag)** High time for change at the top of German companies - far too many are currently in the hands of stubborn, elderly managers.

**Rewiring the Corporate Brain by Danah Zohar (Berrett-Koehler Publishers)** Drawing on quantum, chaos and brain sciences to offer alternatives to traditional company structures.

**The Difference Between God and Larry Ellison by Mike Wilson (Morrow)** Portrait of flamboyant Oracle co-founder and the development of his business.

**How to Succeed in Business without being White by Earl G. Graves (Harper Business/Harper Collins Publishers)** Black businessman on how to attain the American dream in the face of racial prejudice.

**Matsushita Leadership by John P. Kotter (The Free Press/Simon & Schuster)** Harvard Business School professor on Konosuke Matsushita's rise from poverty to head of the Japanese electronic products company.

**The One Best Way by Robert Kanigel (Viking/Penguin)** Biography of Frederick Winslow Taylor, the time-and-motion scientific management man.

**The Highwaymen by Ken Auletta (Random House)** Collection of columns from New Yorker magazine on the mass media moguls.

**The Bankers: The Next Generation by Martin Mayer (Truman Talley Books/Dutton/Penguin USA)** New version of book written more than 20 years ago on the workings of the banking industry.

**Inside the Kaisha by Noboru Yoshimura and Philip Anderson (Harvard Business School Press)** Insider perspective on understanding the large Japanese corporation.

**Beer Blast by Philip Van Munching (Times Books /Random House)** Funny, behind the scenes history of the US beer business, with lessons for other consumer products.

**Webonomics by Evan Schwartz (Broadway Books)** Nine basic principles for growing a business on the World Wide Web.

**F.I.A.S.C.O. by Frank Partnoy (W.W. Norton)** Entertaining account of Wall Street derivatives salesmen taking advantage of their clients.

**Car: A Drama of the American Workplace by Mary Walton (W.W. Norton)** Story of the redesigned Ford Taurus, from stylist's doodle to showroom model.

**Sky High by Matthew Horsman (Orion Publishing Group)** Creation and development of BSkyB - character clashes and all.

**Inside Intel by Tim Jackson (Truman Talley Books/Dutton/Penguin USA and Harper Collins UK)** Examination of Intel - its history, business methods, technology, and chief executive, Andy Grove.

**Business Plans for Dummies by Paul Tiffany and Steven D. Peterson (IDG Books Worldwide)** Defining the company's mission, identifying customers, understanding the financial stuff - all in simplified, "Dummies" format.

**Even More Offensive Marketing by Hugh Davidson (Penguin)** Sequel to the classic text *Offensive Marketing* with over 100 marketing case examples.

**The Innovator's Dilemma by Clayton M. Christensen (Harvard Business School Press)** How established companies often fail to recognise "disruptive" or breakthrough technologies.

**A Scientist's Tools for Business by Robert L. Sproull (University of Rochester Press)** Explains the connections between business problems and the tools and ways of thinking of the scientist.

**Secrets of Successful Websites by David Siegel (Macmillan Computer Publishing)** Primer for commercial web site development with lots of horror stories.

**The judges**
Don Perkins (chairman), former chairman and chief executive Jewel Companies; Antonio Borges, dean Insead; Brian Dickie, chief operating officer, Booz-Allen & Hamilton; Piero Giarda, state secretary, Ministry of the Treasury (Italy); Richard Lambert, editor, Financial Times; Raymond J. Lane, president and chief operating officer, Oracle Corporation; Francis Lorentz, professor, Paris-Dauphine University; John McCarter, president and chief executive, the Field Museum of Natural History; Henry B. Schacht, chairman, Lucent Technologies.

# Lots of snappy titles, not enough real insight

**Peter Martin** assesses the reasons why some business books stood out from the crowd last year – and why others did not

It was the year when the internet finally made a big impression on the world of business books; when executives were encouraged to think of themselves as dummies; and when two now well-worked themes, leadership and strategy, staged an astonishing revival – in numbers if not in quality.

Helping to assess the entrants for the Financial Times/Booz-Allen Global Business Book Award is an exacting task. So many books, so little insight. Yet amid a host of routine works, some stand out, as the shortlist demonstrates.

The shortlisted books achieve their success by exploiting well-established genres: there are few works that break away from the now-traditional recipe of concepts, case studies, advice. Even a book as resolutely cutting-edge as *Secrets of Successful Websites* (David Siegel, Macmillan Computer Publishing) is buttressed by a host of case studies of an entirely conventional type.

There is a clutch of other internet books, but only one of them made the shortlist: *Webonomics* (Evan Schwartz, Broadway Books). It comes closer than any other book to capturing the implications for business of mass access to electronic networks, though *Net Gain* (John Hagel and Arthur Armstrong, Harvard Business School Press) also makes a brave attempt. Two other internet books entered for the awards – *The Death of Distance* by Frances Cairncross (Harvard Business School Press) and *Release 2.0* by Esther Dyson (Broadway Books) – are more general purpose guides than specific business texts. But, though the definitive business-on-the-internet book is still to come, the quality of insights offered by all these works is a considerable step ahead of what was available only a year ago.

On a more offbeat note, the entries included two of the Dummies series – *Consulting* and *Business Plans*. If you hate the breezy tone of the computer book series in which this format was pioneered, you will hate it even more in a business context. But, style apart, *Business Plans for Dummies* – which made it through to the shortlist – is a solid offering. One business expert who read it said that most big-company bosses would benefit from it: "The book makes it clear that a business plan is not just a budget." That is something too few executives realise.

But a snappy title is not enough to push a book on to the shortlist. Some memorable but unsuccessful offerings include *All I Really Need to Know in Business I Learned at Microsoft*, *Do Lunch or Be Lunch*, and, in a class of its own for bathos, *The Pig That Flew: The Battle to Privatise Canadian National*.

Judging of the shortlisted entries takes place over the next month by an independent jury chaired by Don Perkins, former chairman and chief executive of Jewel Companies. Two special prizes have already been awarded, at a ceremony in London last night: the FT's own Lex prize, and the Edwin G Booz prize awarded by Booz-Allen & Hamilton.

The Lex prize, awarded for the best work of business history, goes this year to a small gem: *Rich Desserts and Captain's Thin* by the well-known English novelist Margaret Forster (Chatto and Windus). She grew up in Carlisle, and tells the tale of a Quaker family firm that became one of the city's main employers with grace and style.

The Booz prize, given to the year's most innovative and insightful management book, is awarded to *The Living Company* by Arie de Geus (published by Harvard Business School Press in the US and Nicholas Brealey Publishing in the UK). Mr de Geus spent 38 years with Shell, including a period as head of planning. Unlike so many other business authors, he cannot be accused of lacking either real-world experience or originality: his book draws both on the lessons of a lifetime and on a string of powerful biological metaphors.

*To order copies of any of these books contact FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

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# Appeal over state aid lost

**European court**

The European Court of Justice has clarified the duties of the European Commission when examining complaints about state aid.

The case arose out of the creation by the French post office of a commercial subsidiary to provide security services, such as the secure transport of money, the provision of caretaking, protection and surveillance.

The subsidiary, Sécuripost SA, operated in competition with other security companies and in September 1989 several competitors asked the Commission to investigate under the state aid rules of the Treaty of Rome.

In February 1992, the Commission adopted a decision that there had been no grant of state aid. But after two competitors, Sytraval and Brink's France SARL, sought to challenge that decision before the European Court, it was withdrawn.

In December 1993, after further submissions and inquiries, the Commission declared that it had decided no state aid existed.

The complainants brought an action for annulment of the decision in the European Court of First Instance, which duly annulled in September 1995. It ruled that the reasons stated for the decision did not bear out the Commission's conclusion that the measures were not state aid.

The Commission appealed to the European Court of Justice, and France, Germany, Spain and the Netherlands supported the appeal.

The Commission argued there had been an incorrect assessment of its obligations to state reasons and to investigate complaints. The Court agreed with the Commission that it was under no obligation to conduct an exchange of views with a complainant. It was required merely to give notice to the parties to submit their comments.

The Court also overruled the finding of the Court of First Instance that the Commission was under an obligation to examine, of its own motion, objections that the complainant would certainly have raised had it been given the opportunity. That was not an appropriate criterion for defining the scope of the Commission's obligation of investigation, but the Commission was required to conduct a diligent and impartial examination that might require it to examine matters not expressly raised by the complainants.

The Commission's obligation to state reasons had to be appropriate to the act at issue and had to disclose clearly the reasoning followed.

The Commission also at least had to provide the complainants with an adequate explanation of why the facts and points of law put forward by them had failed to demonstrate the existence of state aid.

Inadequate reasoning and manifest error of assessment were distinct pleas and only the former had to be raised by the two European Courts of their own motion. Certain of the criticisms of the contested decision that were upheld in the Court of First Instance's judgment could not be based on a breach of the obligation to provide a statement of reasons.

However, the Court concluded that some of the grounds on which the Court of First Instance had held there was a breach of the obligation to provide a statement of reasons were justified.

Therefore, although the pleas put forward by the Commission in support of its appeal were upheld in part, there were still deficiencies in reasoning sufficient to justify annulment of the contested decision. Consequently, the appeal was dismissed in its entirety.

*C-367/95 P: Commission and France, ECJ FC, April 2 1998.*

BRICK COURT CHAMBERS, BRUSSELS

PEOPLE ON THE MOVE

## Baroness to chair British Council

Helena Kennedy, the Blairite lawyer and human rights activist, has been appointed to chair the British Council, chiefly in order to give a more modern image and higher domestic profile to the organisation's far-flung cultural and development activities.

Baroness Kennedy believes the selection of her to succeed Sir Martin Jacomb, an investment banker, also complements last year's appointment of Dr David Drewry, a scientist, to the full-time job of the council's director-general, because "I have more of an arts background". She already presides over the London International Festival of Theatre.

"The difficulty for the British Council is that what it does is largely invisible to people in Britain, so that its value has not been sufficiently acclaimed," says Baroness Kennedy, who as a frequent broadcaster and journalist is in a position to help put right this lack of publicity at home.

Her appointment is likely to reinforce the council's role in the government's drive to "re-brand" the image of Britain which, in her words, "is no longer of men of a particular [social] class".

The impact of the baroness, who gained her peerage last year, is likely to be most felt in the human rights work of the council, which arranges exchanges of lawyers with foreign countries.

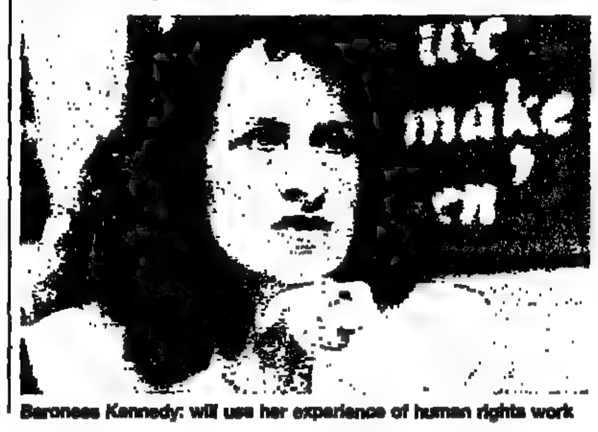
Indeed Baroness Kennedy's first experiences of the council were legal work in Germany for two months and then as a member of its law advisory committee. "Our way of operating is very different now," she says. "The notion of Britain introducing developing countries to ideas [on political and human rights] is old-fashioned."

Nevertheless, she says "Britain has developed considerable expertise on human rights, and we have now introduced a bill of rights ourselves" with the incorporation into British law of the European human rights convention.

She dismisses the concern of some in the council that the organisation, which has a £430m ($718m) annual turnover, 6,000 staff and offices in 109 countries, is being pulled in different directions by its profitable English language teaching, exchange programmes, development aid supervision and non-commercial cultural promotion.

"Bringing together some very entrepreneurial, very profitable activities such as teaching, with the public service ethos for which Britain is famous is part of what the [Blairite] 'third way' is all about," she says, with a slightly ironic laugh.

*David Buchan, London*



Baroness Kennedy: will use her experience of human rights work

## AOL appoints Cookson

AOL Europe, the joint venture between American Online, the internet service provider, and Bertelsmann, the German publisher, this week appointed a chief executive for its Australian operation.

The appointment of John Cookson comes just weeks before the company begins final testing for its service in Australia.

AOL plans to spend about A$28m ($18.7m) on its launch in the fledgling market, which analysts say is primed for growth of 60 per cent this year in terms of subscriber numbers. OzEmail, the country's leading internet service provider, recently reported growth in its own subscriber list from 108,000 at the end of 1996 to 168,000 at the end of last year. Sean Howard, the company founder, forecast that usage per subscriber could climb by as much as 4 per cent or 5 per cent a month.

AOL, one of the biggest online service providers with 13m users worldwide, is tipped to dominate the Australian market within three years. It can already count on a database of 650,000 potential Australian subscribers through its links with the Bertelsmann-owned Doubleday book and music club.

Cookson, 44, was previously at Walt Disney, where he was a product marketing executive for most of his 13 years at the US media and entertainment group. Before that, he was with Australian retailers David Jones and Woolworths.

He takes over from Lynell Cameron, who was sent to Australia from the US last October to set up the operation and who will remain for a while as chief operating officer.

AOL says it is still on target to launch its Australian internet service by the end of this year, after just completing the so-called lalpham tests on its network.

Content for its Australian service will be taken from AOL operations around the world and mixed with specifically domestic information and services, such as news and weather. Jack Davies, AOL's international president, said: "As the biggest market in the Asia-Pacific region outside of Japan, Australia is a key part of AOL's international expansion strategy."

David Harley, chief executive of Doubleday in Australia, will represent Bertlesmann and also joins the management board.

*Mark Mulligan, Sydney*

● Patrick Cheung has joined the Lazard banking group as chief executive responsible for its investment activities in Asia. Cheung was president and chief operating officer of Pacific Century Regional Developments.

## MOVING PLACES

● Spanish soft drinks firm LA CASERA has appointed Antonio Carcia de Blas director-general. He was president of the US-owned affiliate Nabisco Iberia.

● ARCO CHEMICAL has named Marvin Schlanger president and chief executive, with effect from May 14. Schlanger replaces Alan Hirsig, 58, who will retire as president and chief executive, but will remain vice-chairman. Schlanger, 49, was Arco's chief operating officer and executive vice-president.

● SAGE INTERNATIONAL, the executive search firm to the investment banking and asset management community, has appointed Sir Michael Jenkins as a senior adviser. Sir Michael is vice-chairman of Dresdner Kleinwort Benson and focuses particularly on investment banking activities in western and eastern Europe as well as in Russia.

● BRITISH AEROSPACE NORTH AMERICA has announced the appointment of Randall Catts as vice-president, weapons platforms. His responsibilities will cover the gamut of platforms for weapons systems including air, land, and sea applications. Before this appointment, Catts was the manager, foreign comparative testing program, test and evaluation organisation, office of the Under Secretary of Defence for acquisition and technology. He retired from the US Army as a colonel last January after 26 years' service.

● BARCLAYS CAPITAL JAPAN has announced that Patrick Lin has been appointed president and chief executive. Lin succeeds Andrew Simmonds, who will return to a senior Barclays Group position in London. Lin was previously managing director of Barclays Capital, a position he held since joining the Barclays Group in August 1996. Barclays Capital Japan has also announced the appointments of Yoshimichi Yamaguchi as branch manager, and Michael Trust as chief administration officer. Henry Fajemirokun has been appointed managing director and head of derivatives for Barclays Capital Japan. He joins from Bankers Trust in Hong Kong, where he ran the south-east Asian derivatives operation.

● RABOBANK INTERNATIONAL, the international corporate and investment banking arm of the Dutch co-operative Rabobank Group, has appointed Paul Deslandes managing director and head of equity trading at its equity brokerage group in London. He was previously head of European Trading for the investment banking arm of Union Bank of Switzerland. Paul Simpson has been hired from UBS as head of Equity Arbitrage Trading. In addition, Rabobank International hired Paul Hammond, the former head of UK equities sales and trading at Morgan Stanley International, as managing director and head of equity distribution.

● Jacques Van Rymenant, head of corporate banking department, BANQUE BRUXELLES LAMBERT, has been elected to the board of directors of S.W.I.F.T, the bank-owned global financial messaging provider. Van Rymenant replaces Roger Dawans, who has retired. Dawans has been a board representative for Belgium since 1987.

● PICTET & CIE, the biggest of Switzerland's 16 private bankers, has appointed two new partners: Jean-Francois Demole, 36, and Renaud de Planta, 34. Pictet & Cie's managing partnership has now risen from six to eight in number. Demole joined Pictet & Cie in 1991 on the private asset management side. From 1994, as chief executive of Pictet (Canada), he ran the Pictet Group's business operations in North America. Since returning to Geneva last autumn, he has been in charge of total wealth management services. De Planta joins from UBS, having just been appointed as the head of equity derivatives for the whole of the new UBS Warburg Dillon Read investment bank.

● BCE has appointed Alain Gourd president and chief executive of Bell Satellite Services, a new division formed to develop BCE's satellite services including ExpressVu. Gourd will continue to serve as chairman of the board of ExpressVu, BCE's direct-to-home satellite service launched last year. Most recently, Gourd was president and chief executive of CANCOM, a national distributor of satellite programming.

● SALOMON SMITH BARNEY has appointed Byron Gilliam vice-president and co-head of German equity cash trading in Frankfurt. He joins from Ballmaier & Schultz.

● SANTANDER INVESTMENT SECURITIES has appointed Raul Elizalde as global head of fixed-income research. Elizalde was the global fixed-income strategist and head of quantitive research at ING.

HEALTH WOUND CARE

# Healing powers of artificial skin and live maggots

Significant advances are being made in the clinical – and cosmetic – treatment of scarred tissue. **Tatum Anderson** reports

On the mend: the Cica-Care strip uses silicone gel to improve the appearance of scars, old and new

A strip of silicone gel that went on sale last month is set to bring new hope to people with scars. Smith & Nephew, the UK healthcare company, says its Cica-Care strip can improve the appearance of red or raised scars that are up to 20 years old.

For several years, hospitals have used the strips on patients with particularly severe burn scars. But doctors do not usually prescribe them for scars caused by procedures such as heart surgery and Caesarian sections, because they are not medically serious.

However, scars are often a source of distress, says Patricia Price, a health psychologist at the Wound Healing Research Centre in Cardiff. "Our society is obsessed with looking good. People with scars often have a poor self-image and suffer from a lack of confidence."

The Cica-Care strip is just one of hundreds of products in the ever-widening field of wound care. Potential treatments range from artificial skin to maggot therapy.

Scar research has been stepped up since the 1980s, following the discovery that an adult does not heal as efficiently as a foetus. Normal adult skin contains a basket weave of elastic fibres made of collagen, a kind of structural protein, while scar tissue is made up of randomly deposited collagen. A foetus that is damaged in the first stage of development in the womb can heal without forming scars, because the repair process is more organised and controlled. Research is focusing on finding ways in which the body can be instructed to distribute collagen in a more orderly way.

One particularly promising method is an artificial two-layered skin called Integra, from US-based Integra LifeSciences. The material is incorporated into the wound and the bottom layer, made of a collagen matrix, is eaten by cells and rebuilt with the body's own collagen. The result is new skin, not scar tissue.

**'People with scars often have a poor self-image and suffer from a lack of confidence'**

Most approaches to wound treatment can broadly be classified into one of these groups:

● Chemistry. Research has shown that wounds can heal up to 50 per cent faster with less scarring when kept moist, because cells that stimulate healing can move more freely. This is contrary to popular belief that the best way for a wound to heal is to expose it to the air.

Moisture wound healing is gradually making its way on to the market along with a growing industry in "advanced wound dressings", which may one day make the humble bandage redundant.

Smith & Nephew has upgraded the common sticking plaster with its OpSite transparent wound dressing, which creates a moist environment by trapping the wound's fluid.

The compression bandage, the most common treatment for chronic wounding, is also getting a new lease of life. Robinson Healthcare, another UK company, introduced its Ultra Four four-layer bandage system at the end of last year. Designed for use on venous and leg ulcers, it compresses the leg muscles and veins to stimulate blood circulation, and reduces the need for frequent dressing changes, which are often painful.

Advanced wound dressings often use polymers or chains of molecules made from smaller building blocks. Naturally occurring polymers found in plants such as seaweed provide perfect conditions for moist wound healing when incorporated into dressings. Hydrocolloids, polymers made from rubbers, can absorb up to 10 times their own weight in moisture.

Gels made from polysaccharides or simple sugars and polyurethane films and foams form part of a growing market. Researchers are looking into how to put anti-bacterial substances such as zinc and silver into gels.

● Technology

Hyperbaric oxygen or treatment with decompression chambers is commonly used for divers with the bends. But diabetic ulcer patients also seem to respond to high concentrations of oxygen, which is thought to stimulate healing.

Ultrasound is also thought to encourage healing, particularly in diabetic sores, but the process is not yet fully understood. Trials in this area are limited, but there have been encouraging results. Curasonic, a Swedish company, says its ultrasonic bath has stimulated diabetic ulcer healing.

● Natural methods

Maggot Debridement Therapy is the medical use of live maggots for cleaning non-healing wounds. The Surgical Material Testing Laboratory at Bridgend Hospital in Cardiff sells its sterile maggots to more than 400 hospital departments and residential homes in the UK, Sweden and Germany. Steven Thomas, the director, says only six maggots are needed to stimulate healing in the average diabetic ulcer.

Elsewhere, researchers at the Japanese Ministry of Agriculture, *Forestry and* Fisheries have developed a silk protein film that provides moist, clean conditions for healing. The film acts like a protective skin and prevents bacteria from entering the wound.

● Helping nature

Wound care has traditionally focused on providing the best conditions for healing and then leaving nature to do the rest. Innovative Technologies, the UK company, is one of a number trying to find ways to deliver the proteins that switch on the repair mechanism.

These growth factors cause the cells to divide and regenerate tissue. It has been found that by isolating and applying them to a wound in concentrated form, the healing process is stimulated.

Johnson & Johnson's research institute won the first US Food and Drug Administration approval for a growth factor gel in December last year. The Regranex gel is made from genetically engineered yeast cells that mimic human growth factors.

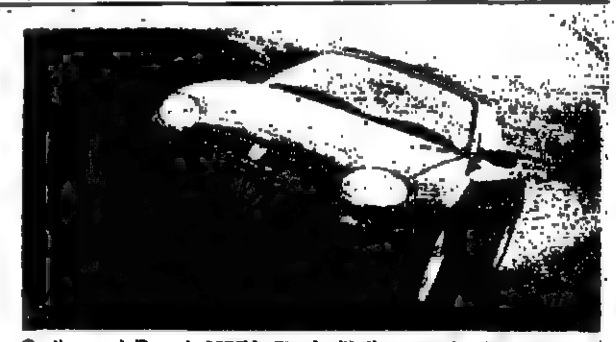
Curative Technologies, also based in the US, has developed a growth factor treatment called Procuren, which is made from the patient's own blood. William Tella, a vice-president at Curative, emphasises that a mixture of treatments, rather than a single agent, is almost always used to cure wounds.

*This is part of a continuing series on medical technology*

TECHNOLOGY CAR HANDLING

# Benefits for fuel and 'feel'

**Geoff Nairn** on an affordable electric power steering system for small cars



On the road: Rover's MGF is fitted with the new steering system

Attempts to develop electric power-assisted steering (Epas) for cars have often foundered on poor steering "feel" and high costs.

Thanks to advances in electronics, LucasVarity, the UK automotive and aerospace engineering group, says its Epas technology can now compete on price and performance with traditional hydraulic power steering and deliver fuel savings of up to 8 per cent.

Power steering is taken for granted in North America but in Europe it is not as widespread due to high fuel consumption and drawbacks in fitting hydraulic steering to smaller cars.

LucasVarity says its Epas technology overcomes these disadvantages. Last month it struck a deal with TRW, the US vehicle components group, to develop and manufacture the system. A big European carmaker has signed a development contract that could see Epas built into a small car in 2000.

The Epas system was fitted three years ago on Rover's MGF roadsters. According to Brendan Connor, managing director of the new joint venture, the system will be installed on other smaller cars, where it has clear advantages over hydraulic power steering, before being extended to larger vehicles.

The principal advantage of Epas is its lower fuel consumption compared with hydraulic steering. A hydraulic system requires a pump to run continuously, draining power from the engine and increasing fuel consumption. Epas draws electric power from the battery only when manoeuvring, not when going straight ahead.

By 2006, LucasVarity predicts, all new cars in Europe will be fitted with Epas.

Small high-volume cars are a tough market for introducing new technology because buyers are reluctant to pay a premium for technology, says Mr Connor.

So LucasVarity spent four years developing its Epas system to bring the price down to that of a hydraulic system – about £100 – and offer similar steering "feel".

Past attempts to produce Epas often failed because they could not match the "smoothness" that drivers expect from hydraulic steering, Mr Connor says.

The key to the LucasVarity system is a series of patented algorithms (mathematical processes) embedded in the software, which allow precise control over an electric motor, and an opto-electronic sensor mounted behind the steering wheel that measures the force applied by the driver.

MY SECRET WEAPON GEOFF UNWIN ON ENGLISH

# A language to unite our multicultural team

*Geoff Unwin is the chief executive of Cap Gemini, the European information technology consultancy, which employs more than 30,000 people worldwide.*

*He began his career in 1963 as a chocolate taster for Cadbury Schweppes. Five years later, he joined Hoskyns Group, a UK computer services company. In 1984, he became managing director of Hoskyns, which was acquired by Cap Gemini in 1990.*

People ask why this very French company put a Brit in charge. My answer is that it was because I was different. I thought differently. Not better, just differently. When people think differently, it puts a different perspective on problems. We exploit that.

It is a very, very multicultural organisation. This diversity brings a lot to the company. In the early days, I spent a fair amount of time travelling, getting to understand people and getting some feeling for what is different about the cultures. If one can factor that in, one can get more out of the team. The French involve themselves in much more analysis than the Brits. I remember a French manager making the classic comment: "It will work in practice but what about the theory?".

The very analytical approach does have some dangers. The danger is that you will believe what you write down. The best indicators are your eyes and ears.

A German manufacturing company once asked me for our five-year plan. I just giggled. It is positively dangerous to talk about five-year plans in this industry, which is changing all the time.

You have to be very flexible. I have always found that the most powerful way of doing that is to operate in teams. Very often it will take braver decisions. Things can be executed faster provided tasks are allocated across the team.

The analogy is with a professional football team. A lot of organisations operate like *children playing football*, with people lurching off to the right and left. But people have to stay in position. You have to be able to trust them to do what they are meant to be doing.

People need to be aware that you change the team regularly. In the first two years after I started, we changed 40 per cent of the top 150 people. It was done quietly. There was no blood on the floor. A 20 per cent change every 18 months is healthy.

Unwin: 'You have to be flexible'

The organisation is growing very strongly. It is like climbing Everest. Some people won't make it to the next stage. Some have got tired in the climb. It is best to move them to another part of the field to rejuvenate them. Some will leave.

Long before I joined, Cap Gemini decided that English was going to be the language of the company. It was a remarkable decision for a French company to make.

Even so, when I came into this job I realised that a great deal of transactions would be in French. I had rusty schoolboy French and I realised it would be important to speak it and understand it. For 2½ years, a French lady studying at the London School of Economics would come to my house at 8.30am and try to teach me.

I had a very highly educated French minder as my operational assistant. He would sit in a meeting and tell me what it was really about.

When you are in a business meeting in a foreign language, you recognise just how difficult it is. English speakers have a huge advantage, as international companies increasingly adopt English as their business language. We take it for granted but it is a national asset. My secret weapon is English.

**Vanessa Houlder**

هكذا من الأصل

SCULPTURE: HENRY MOORE AND NEAR CONTEMPORARIES

# Carved in stone

**William Packer** on the birth of Modernism

We too readily assume that important exhibitions in the regions will come eventually to London: and if they don't, well, they can't be that important. Something of the same delusionary principle holds good for size. But size isn't everything: a show of four dozen pieces can prove as memorable as any blockbuster.

*Carving Mountains*, now in its last week in Cambridge before going to Bexhill for May and June, proves the point. Focused upon the work of eight artists, its subject is British sculpture in the 30 years after 1907 in which, in its own distinctive way, it came to terms with Modernism. But more than that, it calls into question certain assumptions that subsequently became set as critical orthodoxy.

The gospel according to Henry Moore is well enough known: "In the beginning was the stone, and the stone was the stone of sculpture, and I found it in the British Museum and revealed its truth to the world of art". It is, of course, not quite so simple.

Moore was a great artist, but he was also overtly ambitious and assertive, to a degree that masked, perhaps, an inner insecurity. His early critical champions, such as Herbert Read and Kenneth Clark, took him at his word. Now to set him, a young artist in 1937 and still under 40, within the creative context which formed him, is to take nothing from his overall achievement.

What is revealed is a mutual influence that flickers about the work of this close group of artists like static electricity, everywhere at once. While Moore's work remains the dominant presence, we see him here rather more as the taker than the giver – and quite as much from his near contemporaries, Skeaping, Dobson and Hepworth, as from the slightly older generation of Epstein, Gill and Gaudier-Brzeska.

Moore once told me, shortly after Hepworth's death in 1975, that "I taught Barbara everything she knew." Here we see it clearly wasn't so. Her small, carved reclining mother-figure of 1934, far more than the similar work by Moore of the same date, is by far the closer anticipation of Moore's great post-war reclining monuments. She was first to move towards complete abstraction. She was also a more refined carver than Moore, which innate gift was doubtless further polished by

**What is revealed is a mutual influence that flickers about the work of these artists like static electricity**

John Skeaping, her first husband whom she married in 1925 and who was the virtuoso carver of their generation.

The critical recognition of Skeaping's contribution, as both teacher and artist, is fundamental to any understanding of this period. His headless, kneeling woman of 1929, in richly flawed and golden marble, is both a celebration of material and, down her back especially, the subtlest possible articulation of the form.

Frank Dobson, too, is ripe for reconsideration. He was the bright young star of British sculpture in the early 1920s. His substantial family group, "The Man Child" of 1921, a complexity of simple forms, shows him already deep into the tribal and ancient carving that Moore had yet to discover in the British Museum, and openly in debt to the immediate examples of Epstein, Gill and Gaudier.

It is in the work of these last three that the modern tradition in British sculpture has its origins. Through the Frenchman, Gaudier (killed in action in 1915) and Epstein, ex-patriot American, the interest in tribal art, direct carving, purity of form and the examples of Brancusi and Modigliani, reached London from Paris before the first world war. Here was the rejection of the decadent, academic tradition, with its tricks of simulation and denial of material. Epstein declared: "I want to carve a *mountain*". Gaudier set out the manifesto: "Sculptural energy is the mountain; sculptural feeling is the appreciation of masses in relation; sculptural ability is the defining of these masses by planes."

And Gill, steeped in medieval art, articulated the principles of truth to material and the virtues of carving. "To imitate the characteristic beauty of flesh and blood in a material so different as stone is absurd in proportion to the success with which it is achieved ... there is great beauty in the sculpture of Michelangelo, but it is not the beauty of stone ... For stone carving properly speaking isn't just doing things in stone, a sort of petrifying process; stone carving is *conceiving* things in stone and conceiving them as made by *carving*".

Such belief sustained a generation of what the painter Gulley Jimson teasingly wrote off as "chip and chance it." Gill would soon be dead (1940); Epstein, Moore and Hepworth would soon take to modelling in clay. The importance of the figure as the central formal interest would lessen, and its emotional resonance fade. It is a poignant and rather beautiful moment.

**Carving Mountains: Modern Stone Sculpture in England 1907 to '37. Kettle's Yard, Cambridge until April 26. The De la Warr Pavilion, Bexhill, from May 2 until June 28.**

First to move towards abstraction: Barbara Hepworth's figure of a woman, 1929-30

OBITUARY

# Octavio Paz

**Octavio Paz, the Mexican Nobel laureate who in his writings delved into the mysterious soul of his country and its fascination with death, has died aged 84.**

The Mexican, he once wrote, "frequents [death], mocks it, caresses it, sleeps with it, entertains it; it is one of his favourite playthings and his most enduring love". It finally caught up with him after a long illness late on Sunday.

For almost 50 years, Paz was the unchallenged patriarch of Mexican letters, writing lyrical, erotic poetry laced with influences of Surrealism and Buddhism picked up in countries where he travelled as a former diplomat. Often, they dwelt on human loneliness which could be transcended by sexual love and faith. He was awarded the Nobel Prize for literature in 1990.

It was a book-length work of prose, *The Labyrinth of Solitude*, which transformed him into a Latin American literary giant in 1950. The essay sought to peer beneath the mask that Paz believed Mexicans lived behind, to the contradictions of a country still straining to harmonise a rich Indian past with its complex Spanish heritage. "The Mexican is always remote, from the world and from other people. And also from himself," Paz wrote in *Labyrinth*.

Paz, who could be as prickly as he was charming, delighted in stirring polemic, but was also stung by deep divisions with the traditional Latin American left. Born in 1914 during Mexico's civil war, his father was secretary to Mexico's revolutionary peasant leader, Emiliano Zapata, and the family was briefly shunted into exile. The young Paz grew up a Marxist. A visit to a Congress of anti-Fascist writers in Spain in 1937, at the invitation of Chilean poet Pablo Neruda, led him to identify with the Republican cause.

But he later split with the hardline left, taking a stance against dictatorship of whatever colour – particularly Fidel Castro's Cuba and the Sandinista-ruled Nicaragua of the 1980s – both regimes that were darlings of the region's intellectuals. Paz was as independent in his views on the Mexican government, abruptly curtailing a 22-year career in Mexico's diplomatic corps in 1968 when he resigned in protest at a government massacre of students in Mexico City.

In later life, his friendship with Carlos Salinas de Gortari, the former president, earned him the scorn of some of his compatriots. But Paz remained a friend of Salinas's successor, Ernesto Zedillo, who described the poet's death as "an irreplaceable loss for contemporary thought and culture – not just for Latin America but for the entire world".

He was survived by his second wife, Marie José Tramini, who he loved with a passion that endured to the end. He had one daughter.

**Henry Tricks**

Multi-faceted tour-de-force: Sinead Cusack

Nigel Norrington

# Rhythm of life and death

THEATRE

**ALASTAIR MACAULAY**

**Our Lady of Sligo**
**Cottesloe Theatre, London, SE1**

When we talk of a play's rhythm, we mean not solely the tempo at which its plot emerges or the pulse beating through its characters' speeches and dialogue. The deeper rhythm of a play depends on the pace and force with which its meanings arrive and explode in our heads while we follow it. I admire *Our Lady of Sligo*, the new play by Sebastian Barry, and am glad to have seen it. Nonetheless, at its premiere at the Cottesloe Theatre, I was not alone in finding it hard to keep my mind on it; and this is partly due to a problem in its rhythm.

Barry, an Irish playwright of unusually poetic strength, is the author of *The Steward of Christendom*, internationally acclaimed ever since its Royal Court Theatre Upstairs premiere in 1995, as well as other plays during the last 10 years. *The Steward of Christendom* and *Our Lady of Sligo* have much in common. The setting is a sickroom; the deathbed is central; flashbacks are frequent. The protagonist is the dying character; much of the play involves his/her soliloquies; other scenes involve key members of his/her family.

In this case, the deathbed is that of Mai: "fifty-three", (as Barry's text describes her), "the ruins of a handsome woman, Galway middle-class person". She is dying of cancer; she has been through years of alcoholism. Her husband Jack, her 20-year-old daughter Joanie, her dead father, and an old family friend Maria are all real and/or imagined visitors. A vast amount of the play rests on Mai's shoulders, but towards the end she is largely silent and unmoving, her eyes closed, and her visiting husband, whom she may or may not be able to hear, carries the play (and her life) to its conclusion and valediction.

The conflicting pain and guilt of past wrongs and loyalties is compassionately woven by Barry into a subtle fabric; I want to add "absorbing", except that at regular intervals it fails to absorb. How come? Because, while Barry often keeps the rhythm of the

**The pain and guilt of past wrongs and loyalties are woven into the play**

play's underlying drama taut and keen, he occasionally lets it sag into meandering over-development. Later, however, the poignancy of the play, and the tragic wit of Barry's best writing, cohere into a large and moving image.

Max Stafford-Clark directs: it was his Out of Joint company that commissioned it and brought this production to the National Theatre, and in September will take it to its setting, Dublin. Sinead Cusack's performance as Mai is a supremely accomplished and multi-faceted tour-de-force, affecting in many different ways. Brilliantly, she catches the woman's bitter pith and her anguished core; consummately, she keeps the play's pulse remarkably brisk and sharp. After a few early moments, where you see the actor's mind behind the delivery, hers is a completely involving characterisation.

But my second problem with the play is to do with the production, and it is entirely to do with the way Cusack focuses her soliloquies outwards, her eyes roving communicatively around the audience as speaks. This commands our attention, but it means that the play never creates a convincing world onstage. My abiding memory of *The Steward of Christendom* is that Donal McCann, in the title role, seemed lost in his own world, the world of his own tortured mind, and that we were outside observers. Here we are a congregation being movingly addressed, except when visitors enter the sickroom and we are put at a distance.

Any production that begins with the creamy wit and dark legato of Alice Faye's recording of "This Year's Kisses (I'm Still Wearing Last Year's Love)" sets out with me on its side; and Nigel Terry as Jack, Andrea Irvine as the nursing sister, Catherine Cusack (with her strangely haunting, tense librarians face) as Joanie, June Watson as Maria, and Harry Towb as the dead father, are all excellent. They each leave a strong impression in the memory, and many of the lines Barry gives Mai/Cusack leave an even stronger one. "His face nice like a potato, a smile cut into it." "Ah Jesus, this old dying's good for something." "My sheets were wet with sweat; and my skin like the inside of a parsnip." "I'm sick of this dying". A bicycle is said to lie there on the ground nearby "like a faithful dog". Whenever you can keep your mind on it, there is splendid writing throughout to bear you along, like the vast outgoing tide of a dying mind.

INTERNATIONAL

# Arts Guide

## AMSTERDAM

EXHIBITION
**Stedelijk Museum**
*Tel: 31-20-5732911*
*www.stedelijk.nl*
Walter Pichler: Drawings: Sculptures: Buildings. Installation by the Austrian artist of work which challenges the boundary between sculpture and architecture; ends on Sunday

OPERA
**Netherlands Opera, Het Muziektheater**
*Tel: 31-20-551 8911*
Wozzeck: by Berg. Wim Trompert directs a revival of Willy Decker's 1994 production, with designs by Wolfgang Gussman. With the Netherlands Philharmonic conducted by Hartmut Haenchen; Apr 21, 24, 26

## BERLIN

CONCERTS
**Philharmonie**
*Tel: 49-30-2548 8354*
● Berlin Philharmonic Orchestra: conducted by Roger Norrington in works by Haydn and Knussen; Apr 21, 22
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Mozart, Rihm, Brahms and Schumann; Apr 25, 26

DANCE
**Deutsche Oper**
*Tel: 49-30-34384-01*
La Sylphide: revival of a production designed by David Walker and directed by Peter Schaufuss, after August Bournonville; Apr 25

OPERA
**Deutsche Oper**
*Tel: 49-30-34384-01*
● Der Prinz von Homburg: by Henze. Production conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 24
● Lohengrin: by Wagner. Revival of a production conducted by Christian Thielemann and staged by Götz Friedrich; Apr 26

## BIRMINGHAM

CONCERT
**Symphony Hall**
*Tel: 44-121-212 3333*
Ivo Pogorelich: recital by the pianist of works by Rachmaninov, Granados, Prokofiev, Schumann and Chopin; Apr 23

## COPENHAGEN

EXHIBITIONS
**Louisiana Museum of Modern Art, Humlebaek**
*Tel: 45-4919 0719*
*www.louisiana.dk*
Francis Bacon: major retrospective including loans from around the world; ends on Sunday

## FLORENCE

OPERA
**Maggio Musicale Fiorentino**
*Tel: 39-55-211158*
*www.maggiofiorentino.com*
The Lady Macbeth of the Mtsensk District: by Shostakovich. New production by Lev Dodin, conducted by Semyon Bychkov; Teatro Comunale; Apr 21, 24, 26

## FRANKFURT

CONCERTS
**Alte Oper**
*Tel: 49-69-134 0400*
Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in works by Schubert, Mendelssohn and Schumann. With violin soloist Thomas Zehetmair; Apr 21

**Frankfurt Oper**
*Tel: 49-69-21202*
Warsaw Radio Symphony Orchestra: conducted by Wojciech Rajski in works by Beethoven and Dvorák; Apr 26

## GENEVA

CONCERTS
**Victoria Hall**
*Tel: 41-22-3170017*
Orchestre de la Tonhalle de Zurich: conducted by David Zinman in works by Bartok and Mahler. With violin soloist Viktoria Mullova; Apr 22

## HELSINKI

OPERA
**Finnish National Opera**
*Tel: 358-9-4030 2211*
The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tillberg. Conducted by Okko Kamu; Apr 24

## LONDON

CONCERTS
**Royal Festival Hall**
*Tel: 44-171-960 4242*
● Philharmonia Orchestra: conducted by Mikhail Pletnev in works by Berlioz and Tchaikovsky. With mezzo-soprano Jean Rigby; Apr 21
● Orchestra of the Age of Enlightenment: conducted by Sir Simon Rattle in works by Mozart, Berlioz and Beethoven. With mezzo-soprano Ann Murray; Apr 22
● The Royal Opera: Parsifal, by Wagner. Concert performance, conducted by Bernard Haitink. The title role is sung by Plácido Domingo; Apr 23
● Orchestre de Paris: Frans Brüggen conducts works by Haydn and Mozart. With cello soloist Truls Mork; Apr 26
● Philharmonia Orchestra: Mozart Piano Concerto Cycle. The first of two concerts given by pianist András Schiff features Piano Concerto Nos. 22, 23 and 24; Apr 26

EXHIBITIONS
**Barbican Art Gallery**
*Tel: 44-171-638 8891*
● Shaker: The Art of Craftsmanship. Furniture and decorative arts from the Shaker community at Mount Lebanon; ends on Sunday
● The Art of the Harley: 30 customised motorcycles provide the centrepiece of this display devoted to the 95 year history of the Harley-Davidson company; ends-on Sunday

OPERA
**English National Opera, London Coliseum**
*Tel: 44-171-632 8300*
La Bohème: by Puccini. Steven Pimlott's production is revived by Barry Atkinson and Frances Moore, and conducted by Alex Ingram; Apr 21, 23

## LOS ANGELES

OPERA
**L.A. Opera, Dorothy Chandler Pavilion**
*Tel: 1-213-972 8001*
*www.laopera.org*
Il Trovatore: by Verdi. Conducted by Gabriele Ferro in a staging by Stephen Lawless. Cast includes Vladimir Bogachov; Apr 25

## MUNICH

CONCERTS
**Philharmonie Gasteig**
*Tel: 49-89-5481 8181*
● Munich Philharmonic Orchestra: conducted by Günter Wand in works by Schubert and Bruckner; Apr 21
● Vienna Philharmonic Orchestra: conducted by Vladimir Fedossejew in works by Schubert, Haydn and Tchaikovsky; Apr 22
● Klassische Philharmonie Bonn: conducted by Heribert Beissel in works by Rossini, Chopin and Beethoven; Apr 23
● Königlich Flämische Philharmonie: conducted by Mu Hai Tang in works by Mozart, Brahms and Tchaikovsky. With violin soloist Julian Rachlin and pianist Anna Gourari; Apr 25

EXHIBITION
**Haus der Kunst**
*Tel: 49-89-211270*
Symbolism in England 1860-1910: previously seen in London's Tate Gallery, this show presents work by British pre-Raphaelites alongside that of their European contemporaries. Includes works by Rossetti, Burne-Jones, Watts and Lord Leighton; ends on Sunday

OPERA
**Carl-Orff-Saal, Gasteig**
*Tel: 49-89-4809 8508*
Vision of Lear: by Toshio Hosokawa, with a libretto by Suzuki and Hosokawa. Co-production of the Munich Biennale with the Shizuoka Performing Arts Centre; Apr 22

## NEW YORK

OPERA
**New York City Opera**
*Tel: 1-212-870 5570*
*www.nycopera.com*
Paul Bunyan: by Britten. New production directed by Mark Lamos and conducted by Stewart Robertson; Apr 22, 25

## PARIS

CONCERTS
**Théâtre des Champs Elysées**
*Tel: 33-1-49525050*
● Vienna Philharmonic Orchestra: conducted by Zubin Mehta in works by Weber, Mozart and Mahler. With oboe soloist Martin Gabriel; Apr 24
● Cecilia Bartoli, recital, with the Orchestre National de France conducted by Charles Dutoit, in works by Rossini and Ravel; Apr 25

## ROME

OPERA
**Teatro dell' Opera**
*Tel: 39-6-481601*
Parsifal: by Wagner. Bernard Haitink conducts the Covent Garden production, with a cast including Placido Domingo and John Tomlinson; Apr 28

## TV AND RADIO

● WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● CNN International
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● Business/Market Reports:
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

MARTIN WOLF

# How bubbles burst

Many people think the Asian crisis will pass the US and Europe by. In fact, it is worsening western asset overvaluation

*Last week Washington* witnessed an outbreak of galloping complacency. At the spring meetings of the International Monetary Fund and World Bank – and the accompanying gathering of finance ministers of the Group of Seven leading economies – assembled western worthies spent much time on the difficulties in east Asia and the slump threatening Japan. But the US and European economies were held to be in fine fettle.

For Americans, this is the best of all possible worlds. Their economy is in rude health; *Asia has fallen by* the wayside; and The American Way has been vindicated. As Alan Greenspan, chairman of the Federal Reserve, said on April 2, "the lesson that appears to be emerging is that only free-market systems exhibit the flexibility and robustness to accommodate human nature and harness rapidly advancing technology to consistently advance living standards". Mr Greenspan may well be right. Yet pride goeth before a fall.

The danger is not to be *seen in the IMF's latest* forecasts. In the World Economic Outlook, global output this year is forecast to grow 3.1 per cent. The advanced economies are expected to rise 2.4 per cent. These figures are lower than the original forecasts last October, which were 4.3 and 2.9 per cent respectively.

Given the Asian crash, such adjustments are modest. They would, for example, bear no comparison to the slowdowns of the mid-1970s, mid-1980s and early 1990s, as the chart shows. Moreover, the reduction in forecast growth is restricted almost entirely to the Asian economies themselves: *Japan's forecast* growth this year has been lowered by 2.1 percentage points, to zero; that of the newly industrialised Asian economies – Hong Kong, Singapore, South Korea and Taiwan – by 4.2 percentage points, to 1.8 per cent; Thailand, Indonesia, Malaysia and the Philippines by 8.1 percentage points, to *minus* 2.7 per cent.

Meanwhile, US forecast growth is down a mere 0.3 percentage points (to 2.9 per cent), while the European Union economy is forecast to maintain its 2.8 per cent *growth rate unchanged from* last October. Though it is true that the Asian crisis has had a bigger impact on other developing countries, the overall picture is still clear: the impact is expected to be essentially local, even with Japan included. Its effect on the other important industrial economies will be marginal.

The reason complacency might be justified is that the direct negative effects of Asian events on trade and gross domestic product are powerfully offset by beneficial indirect effects. As the IMF notes, even though exports to Asia may well fall sharply, the declines in bond yields in most industrial countries since mid-1997 "are likely to have an offsetting and stimulative effect on growth". Furthermore, equity prices have reached new peaks.

These offsetting effects are inter-related. Asian events are causing a one-off reduction in inflationary pressure and allowing a looser monetary policy than would otherwise have been pursued, above all in Japan. *This loose monetary policy* is blowing air into the asset bubble, almost everywhere except Japan.

Such indirect effects are as significant as the direct effect of the Asian crisis through trade. US merchandise exports to Asia (including Japan) accounted for only about 3 per cent of its GDP in the mid-1990s, while imports from Asia equalled 5 per cent of GDP. For the EU, the shares were 2 and 3 per cent of GDP respectively. Indeed, for these very large, fairly closed economies, the direct impact of a slump elsewhere is bound to modest. What matters far more to them is the indirect impact, particularly on inflation and monetary policy. Here the news is unambiguously good. Commodity prices are weak; the price of crude oil has fallen to around $14 a barrel; and even in the buoyant US there is no inflation in the prices of producer goods, partly because of the strong dollar.

Furthermore, bond yields are down to exceptionally low levels, with the floor set by the 1.6 per cent in Japan. German yields at 4.9 per cent and US ones at 5.6 per cent are exceptionally low as well. To the Japanese these rates must look too juicy to be true, especially when the yen is also weak. In this context, it is hardly surprising that more than 40 per cent of the private holdings of US government debt is owned by foreigners.

Behind the exceptionally low bond yields worldwide is not just weak inflation. Also important has been a dramatically expansionary monetary policy, particularly in Japan, where a frightened central bank is at last printing money with ferocious abandon.

Over the 12 months to March 20, the Bank of Japan expanded its balance sheet by the equivalent of 5.5 per cent of GDP – or $207bn at the rate of Y134 to the dollar. As the New York-based Grant's Interest Rate Observer of April 10 noted, the BoJ has created an amount equal to 44 per cent of the Federal Reserve's *entire balance sheet in just* one year.

Maybe the Bank should be doing still more. Even so, one can no longer criticise it for failing to do anything. In Japan credit growth remains constrained, however, by the financial weakness of both banks and their potential borrowers. The Bank is pushing on the proverbial string. But the impact of such an expansion is not narrowly limited to Japan. It has helped drive down the yen and push bond yields to very low levels, thereby encouraging Japanese investors to put their money into foreign assets.

Meanwhile, US credit growth is strong. Broad money (M3) grew 9.9 per cent in the year to March. Underpinned by strong profits and strong equity bases, US banks do wish to lend – and are succeeding in doing so. The consequent monetary expansion is also having the expected effects on asset prices and investment.

Changes in stockmarket valuations are extraordinary: the S&P composite index for US stocks has risen 150 per cent since the end of 1994; the price-earnings ratio, at 28, is far higher than in the 1960s, the last comparable period of low inflation and strong growth; the dividend yield of around 1.4 per cent is risible by historical standards; and yet the present economic expansion is near the end of its seventh year.

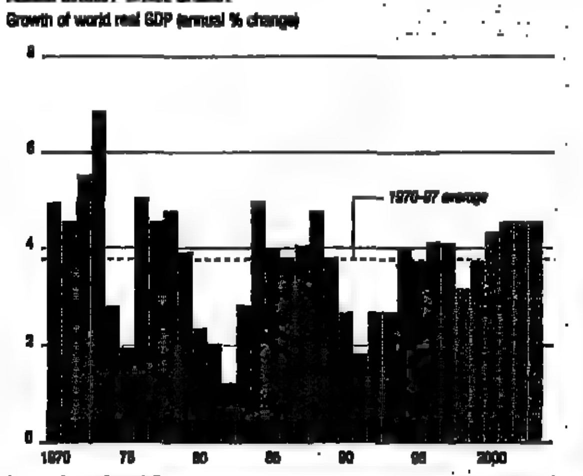
If this market is fairly valued, the moon is made of green cheese. The risk is clear enough. It is even spelt out by the IMF: equity markets in many countries have recently risen to new highs and the US dollar has strengthened *further*, it says. With the current account deficit of the US expected to widen substantially this year, the risk of a reversal in attitude towards the dollar at some future stage is obvious.

"If world commodity prices were to recover at the same time and labour market pressures continued to push up wage growth, the Federal Reserve could face the need for a significant tightening of monetary conditions and both bond and stock markets might be subject to significant *corrections. The strength of* sterling points to similar concerns in the case of the UK." Amen to that.

It may cheer people in the west to believe the Asian crisis has little importance for them. They may believe its disinflationary impact will even prove a boon. In the US many may conclude it all proves that their economic model is the only one worthy of imitation. But never mistake a bubble for enduring economic triumph. The great bull market cannot last forever; what cannot last will not do so; and the higher the climb, the bigger the fall.

*Martin.Wolf@FT.com*

**Asian crisis? What crisis?**
Growth of world real GDP (annual % change)



Source: IMF, World Economic Outlook

## LETTERS TO THE EDITOR

### Objectives outside Bank's remit

*From Mr Gavyn Davies.*

Sir, Samuel Brittan ("A parallel pound", April 16) says I am "trying to act as the chief whip to the Monetary Policy Committee", whatever that may be taken to mean.

Actually, I have been trying to make the following points, which are basic to the workings of the new monetary arrangements in the UK.

First, the chancellor's original letter on May 6 last year says that the inflation target each year will be defined in the Budget. The MPC shall then achieve the inflation target and, without prejudice to that objective, support the government's growth and employment goals.

Second, as promised a year ago, the inflation target has now been defined in the 1998 Budget to be 2.5 per cent "at all times".

This does not eliminate the sub-clause on growth and employment, but surely the term "without prejudice" has a clear meaning about which objective should take precedence in the case of conflict.

Third, when the new system was launched it was quite explicitly decided that juggling the inflation and growth objectives should be kept within the democratic field, and not handed over to the Bank of England. Otherwise, why should the Treasury bother to set an inflation objective each year?

Fourth, the behaviour of sterling and domestic output *should of course have a role* in the MPC's deliberations, since their movements will affect the likelihood of hitting the inflation objective.

Fifth, the only other reason that the short run behaviour of output should explicitly enter the MPC's mind is that there may be more than one output path which is consistent with hitting the inflation objective over 12- to 24-month periods. This last point could give the MPC some wriggling room, but not much in my view.

The key point is that the legitimate juggling of short-term output objectives *against inflation objectives* has not been handed over to the Bank, and this makes our new system very different from that of the US Federal Reserve or the European Central Bank.

Sir Samuel may want to change this. If so, he should argue the case explicitly instead of encouraging the MPC to act beyond its mandate – something it has certainly not yet done.

Gavyn Davies,
chief international economist,
Goldman Sachs,
133 Fleet Street,
London EC4, UK

### Pundits with short memories

*From Mr Mahmood Elahi.*

Sir, The US prescription to end Japan's current economic crisis through imitating Reganite/Thatcherite deregulation and tax cuts may exacerbate Japan's economic crisis. The main reason for the crisis has been the free-wheeling lending by Japan's major banks; deregu*lation will not resolve that.* As for tax cuts, given the Japanese propensity for saving, most tax cuts will simply be saved, providing no consumer-led stimulus.

In the current criticism of Japan by the US media and pundits, it is conveniently forgotten that the same media and pundits had been heaping praise on Japan only a few years ago for its brilliant economic management. A host of mostly American business pundits and columnists went almost bonkers over Japan's spectacular economic performance, portraying Japan as an unstoppable juggernaut, at once frightening and deserving emulation.

Remember Japan as Number One or Rising Sun? Remember how writer after writer found Japan's system of partnership between government, business and *labour as the foundation of* its strength? Their exhortation was clear: adopt Japanese business ethics or perish. Now the same people are criticising Japan for its lack of flexibility, its too many regulations and government interference. Their present exhortation is: adopt American business ethics or perish. They are likely to be wrong again.

Mahmood Elahi,
68-1250 Pinecrest Road,
Ottawa,
Canada

### International creditors need to feel the pain

*From Mr Aly-Khan Satchu.*

Sir, I believe that the International Monetary Fund has mitigated the consequences of bad lending with respect to international creditors. In a global free market, this lends itself to frequent market disruptions as the same creditors repeat the same mistakes.

International creditors have to feel fully the brunt of their errors and only then will the hot money flow be more considered and regain its inherent risk-reward equilibrium.

As a matter of principle, it is surely unacceptable to introduce controls.

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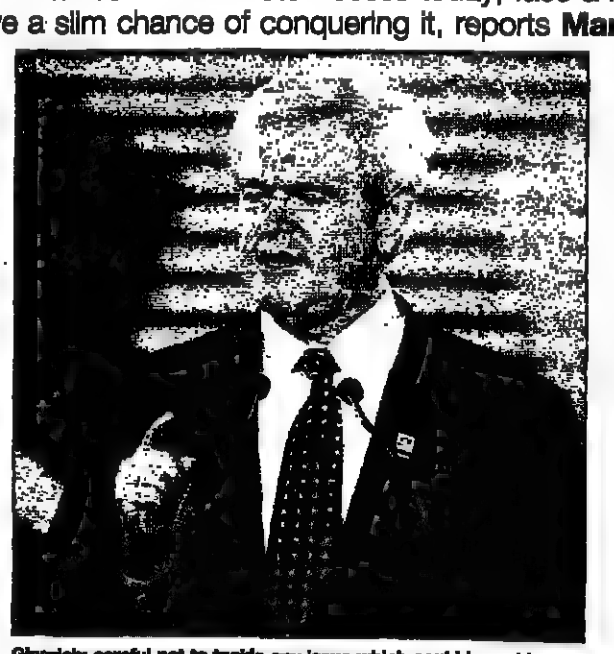
# A do-little Congress

US lawmakers, who return from their Easter recess today, face a mountainous agenda but they have a slim chance of conquering it, reports **Mark Suzman**

Washington. Springtime. The last of the cherry blossoms has fallen. Tourists have started arriving by the busload. And Capitol Hill is reverberating to taunts about its inactivity. "The do-nothing Congress," Tom Daschle, senate minority leader, calls it, using Harry Truman's famous phrase about the 1948 legislature. On the other side of the political divide, a prominent conservative columnist dubs it "the invisible Congress". Even President Bill Clinton, showing renewed vigour after his court victory in the Paula Jones case, has weighed in. "This is a Congress with nothing to do and no time to do it."



Gingrich: careful not to tackle any issue which could harm him

Such epithets have become a seasonal rite. This year, however, there seems to be more justification than usual. The House of Representatives scheduled only 89 working days for the entire session and the Senate has been little better. Sandwiched between four-day weekends, legislative debates have proceeded at an even more leisurely pace than usual. Contentious issues such as campaign finance reform have been shelved by an unsupportive *Republican leadership.* Only a handful of bills has been passed.

But as lawmakers return from their Easter recess today, it increasingly looks as if Congress has too much to do and no time – or political will – to do it.

Consider this: there is the annual array of budget and spending bills; they have to be approved before members start campaigning for re-election in November. Then there are important proposals such as the planned reform of the Internal Revenue Service; these were due to be approved months ago but have yet to be enacted. There are multi-billion dollar bills to regulate tobacco companies and reform financial services. They have acquired new urgency: the public clamour for action to cut teenage smoking has raised the stakes in the battle over tobacco, while a wave of banking mergers makes overhaul of Depression era financial legislation more urgent. "Congress has yet to figure out what it's going to make of this session," says Norman Ornstein, an analyst at the American Enterprise Institute, a conservative think-tank. "It started out this year with the intention of doing nothing, but now a crunch is coming because the agenda has become bigger than its ability to pursue it."

*This affects the Republi*can majority in Congress especially. On the one hand, they are nervous that the "do-nothing" epithet will damage them at election-time (as it did in 1948). So they have been spurred into action. "It's not that we're *not doing anything," insists* one, plaintively. "There are lots of important issues like tax cuts and education reform on the agenda, but Democrats keep blocking us." On the other, they are scared to do anything very dramatic. With the political triumph *of last year's* balanced budget deal still fresh in voters' minds and the economy booming, Republican congressmen are uneasy at the idea of pursuing any controversial measures. Congress's approval rating is nearing 60 per cent – the highest level in a decade – which bodes well for incumbents at the polls. Hence, Congressmen want to seem to be doing something – but not actually to do it.

*Making matters more com*plicated, Republicans no longer have the consensus that characterised the heady days of 1995 when all-night sessions dominated and Newt Gingrich, House speaker, seemed to be passing a bill a week. The party is riven by internal debates over issues such as how to handle the emerging budget surplus and whether to attach anti-abortion riders to interna*tional aid bills.* Meanwhile, Mr Gingrich – still unpopular but considering a run for the presidency in 2000 anyway – is being careful not to tackle any issue that might damage his personal political rehabilitation.

Another reason for congressional passivity in the face of all the legislative challenges is the president's position. Mr Clinton started the year with a raft of popular proposals on issues such as child care, but the Monica Lewinsky affair plunged the White House into a state of paralysis from which it is only now emerging. "There really isn't much pressure for big changes, and Congress has been even slower off the mark than usual because the president has been distracted," says Stephen Hess, an analyst at Brookings, an independent policy institute. "Even with a more active White House I'd be sceptical about the possibility of regaining momentum, particularly with Republicans no longer marching in lockstep."

The problems are encapsulated by the slow progress of a delayed transport bill that would set the level of public highways spending for six years. Spurred by provisions for $9bn in old-fashioned political pork for over 1,500 "special projects" in congressional districts across the land both houses have already approved versions.

But at $217bn, the bill would cost $30bn more than had been estimated last year. That has outraged fiscal hawks who are threatening delaying action unless it is scaled back. It has also prompted the threat of a potential veto from the White House, which fears the required funds will eat into other programmes like health and education.

Given the rude state of US fiscal health and the political imperative of keeping voters happy in an election year, the package is all but *certain to pass eventually.* But the necessary horse-trading will eat into legislative time that might otherwise be spent on other issues. A potentially greater distraction would be discussion of impeachment hearings. These could begin once Kenneth Starr, the special prosecutor, releases his final report on allegations of presidential misdeeds.

The upshot is that only part of the big legislative agenda is likely to get through. Financial-services modernisation seems likely to be postponed until next year, joining electricity deregulation and social-security (pensions) reform as proposals that Congress lacks the courage to do more than dabble with at the moment.

But some kind of tobacco legislation remains a strong possibility, in part because both parties want the tax revenue it would bring. And even if it does not pass, legislators are at least expected to wrap up the IRS reform, which has bipartisan support. Combined with the transport bill, that should be enough for Congress to improve on the most important legislative achievement of the session so far: the decision to rename Washington's National Airport after Ronald Reagan.

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# Debtors' prison for the Emu

The big question facing finance ministers at their meeting on European economic and monetary union today will be how to prevent excessive national debts from undermining the new edifice.

It relates mainly to Italy, where government debt was more than 120 per cent of gross domestic product last year, twice the size envisaged in the Maastricht Treaty as the desirable entry qualification for Emu. That Italy and Belgium (with a smaller debt but a similar ratio) are likely to be admitted to the Emu next month is a testament to their heroic efforts to cut deficits.

But it is not nearly enough. Since 1993, Italy's public finances have been in primary surplus (excluding debt interest), and its debt ratio has declined steadily from its peak in 1994. However, even if Italy manages to maintain this tight discipline, with a primary surplus of, say, 4.5 per cent of GDP, it will take almost 20 years to reduce its deficit to Germany's present level. For Italian taxpayers, this represents a long sentence to frugality. If they are to accept it, politicians throughout Europe will need to be much more persuasive about why it is required.

At present, the risks might seem rather remote. It is hard to imagine, for example, that, within Emu, Italy could suffer a debt crisis on the scale of Mexico in 1994 or south-east Asia last year. But the severe logic of Emu says that it *could* happen, since the old remedies of a central bank bailout – printing money and exchange rate depreciation – will no longer be available.

That is the theory. In practice, the prospect of a big default might lead to strong political pressure to bend the rules. Even the possibility of this could have a contagious effect on EU financial markets, and, by pushing up interest rates, make the control of inflation more difficult.

The consequences of fiscal imprudence in the new world of Emu are hard to predict. But they would almost certainly be worse than the measures now needed to avoid them.

Moreover, when monetary policy is ceded to the European Central Bank, each nation will need as much flexibility as possible to offset an economic slowdown. This will be much easier if budgets are generally close to balance, or in slight surplus, and (as a consequence) debt ratios are coming down.

For these reasons, the debt reduction programme proposed by Germany and due to be discussed today, deserves support. It would be little more than a commitment by members to do their best to cut deficits, to co-operate in setting budgets and to reduce dependence on short-term debt. But anything which helps to stiffen political resolve for a long and difficult task must be welcomed. The next job is to sell it to the people.

# Bibi's evasions

Benjamin Netanyahu, Israel's prime minister, is unquestionably gifted at coating extremist positions in honeyed reason. His latest offer to Tony Blair, the British prime minister – "to go anywhere at any time, and specifically in the next month, possibly to London, to advance the [peace] process" – should therefore be treated with scepticism.

On the face of it, Mr Netanyahu is merely repeating the suggestion he has been making almost weekly for the past year. He says he wants "final status" talks with the Palestinians on a definitive peace deal. This means in practice that Israel would put aside its existing commitments, including to withdraw from most of the West Bank under the "interim" Oslo agreement on Palestinian self-government, reached in 1995 by the government of the late Yitzhak Rabin.

It is no coincidence that Mr Netanyahu's zeal for a final settlement emerged before the ink was dry on the January 1997 Hebron agreement – the only deal his extreme nationalist government has reached with Yassir Arafat, the Palestinian leader. Under Hebron, Mr Netanyahu put his own name to his predecessor's commitment to "redeploy" Israeli troops from the West Bank in three stages ending in mid-June this year.

But the peace process ground to a halt shortly after Hebron when Israel started building a new settlement in occupied east Jerusalem and expanding Jewish settlements throughout the West Bank. The US has tried to restart talks by getting Mr Netanyahu to halt this colonisation and withdraw from a significant amount of the West Bank. But the settlement drive goes on and there has been no redeployment.

So anything Mr Netanyahu says about his willingness to advance peace should be weighed for content. True, he insists that he can not withdraw troops until Mr Arafat does more to clamp down on Islamist suicide bombers. But when the Israeli army and Palestinian security forces reached a 16-point agreement on co-operation brokered by the US Central Intelligence Agency last December Mr Netanyahu tore it up. His approach to date has been all about process – and ways to void that process of the substance of real negotiation.

The only way Israel can secure peace with the Palestinians – and with other Arab neighbours whose land it occupies like Syria and Lebanon – is by returning that land in exchange for their recognition of Israelis' right to live in security. Whatever talks may or may not take place, "anywhere at any time", those hosting and facilitating these negotiations should not cease making this clear to Mr Netanyahu – and that everything else is evasion.

# Goldman et al

In a world where financial institutions are prey to each and every passing fashion, the US investment bank Goldman Sachs has combined remarkable success with a wholly unfashionable attachment to limited liability partnership. Yet the Goldman partners' taste for splendid isolation appears to be on the wane.

With leading competitors busily enlarging themselves through mergers and acquisitions, there is clearly some risk of a loss of partnership nerve over Goldman's restricted ability to deploy capital. And with markets bubbling ever higher, there is an equal temptation for the existing partners to cash in some very large chips. But if it comes to that, it is hard to see how the distinctive culture that contributed so importantly to Goldman's success could survive.

The case for abandoning unlimited liability is little different from what it was in the 19th century when Bubble Acts were repealed and laws introduced to facilitate incorporation. Funds could be raised more easily to finance railroads and other capital-intensive enterprises. For partners there was an opportunity to shift risk on to creditors.

In today's more turbulent capital markets there is also the opportunity to do deals in pursuit of modish goals: improved access to retail customers, new opportunities for cross-selling financial services and so on. Yet the notion that more capital is essential calls for greater scrutiny.

Much comment on recent merger proposals such as the Travelers/Citicorp combination assumes that the resulting increase in capital will automatically make the new entity a fearsome global competitor. Yet the productivity with which that capital is used is far more important than its absolute level. Too many take for granted that such a ramshackle colossus will be both manageable and capable of generating synergies. They ignore the potential diseconomies.

History, meantime, is littered with examples of capital burning holes in corporate pockets. Note, here, that the capital intensity of Goldman's business substantially reflects the growth in proprietary trading in investment banking. If it floats, investors will be invited to take a leveraged bet on a market that is touching heady levels.

Investors who lost money as new equity holders in 19th century railways did at least bequeath a solid infrastructure to society. Those who back a newly incorporated investment bank today will contribute to the less impressive social purpose of adding froth to the Wall Street bubble. Bubble Acts have gone out of fashion. But the principle of *caveat emptor* endures – especially when buying out the savvy partners of Goldman Sachs.

# What's £9.99 in euros, then?

Believers in the euro say that it will lead to greater market transparency and eliminate price differentials in the EU, but, asks **Guy de Jonquières**, how much will consumers really benefit?

**€ Birth of the euro**

A new age is about to dawn for Europe's consumers. Once economic and monetary union arrives, market transparency will drive prices down to the same level everywhere in the European Union. Companies will no longer be able to charge more in some places than in others; consumers will find that their market of 290m people will become as competitive as America's with 260m.

That, at least, is the gospel according to believers in a single European currency. Many companies appear to agree. A survey of corporate finance directors last autumn, by KPMG Management Consulting, found almost half expected Emu to lead to lower prices. The theory is that, once retailers start displaying prices in euros, differences will become apparent. That, and the elimination of foreign exchange costs, will lead to more aggressive shopping by consumers across borders and irresistible pressure for common EU prices.

But expectations of a sudden windfall for consumers may be exaggerated. In some cases, prices may even be rounded up rather than down. Even when prices are lowered, few companies think changes will be dramatic: Emu, they say, will merely accentuate existing pressures created by Europe's single market and fiercer global competition.

"In consumer industries, the euro will gently accelerate a trend that is already in place," says Ian Davis, a director of McKinsey, the management consultancy, who has worked closely with many of Europe's biggest consumer products companies. "My guess is that its impact will be quite modest."

All such predictions are based largely on guesswork. "Nobody really knows how people will react once they get the new single currency in their pockets. Nothing like it has ever happened before," says Chris Gentle of the Henley Centre, an international consumer consultancy.

Some managers doubt whether greater transparency will make consumers more value-conscious. "We already have quite a lot of price transparency in Europe. All you need is a pocket calculator," says Mike Nebauer, finance director of Eastman Kodak's European operations.

British consumers have already discovered, without the aid of euro pricing, that lower excise taxes make beer and wine a bargain in France. Since the EU lifted restrictions on cross-border shopping two years ago, they have flocked across the Channel to stock up on cheap drink.

Wide variations in European car prices have attracted public attention – and criticism – for even longer. The main problem for bargain-hunters has not been to identify countries with low prices, but to get dealers there to supply cars for export.

Retailers say that, except in frontier regions, consumers are much less sensitive to price differences for most other products. Many doubt that a single currency will greatly increase the incentive to shop around. Consumers are hardly likely to pop half way across Europe for a loaf of bread and a dozen eggs.

Britain's Marks and Spencer, which has almost 60 wholly owned and franchised stores in 10 other EU countries, sees no need to standardise its prices once the euro is launched. "It is much more important to respond to local market realities," says Robert Colvill, finance director.

Consumer organisations say wide differences in countries' consumer protection laws, which can make it hard to obtain redress for faulty products bought abroad, also deter cross-border shopping. The EU is discussing a proposal to harmonise national rules. But it is making slow progress, and critics say it does not go far enough.

Some of the changes the introduction of the euro are supposed to produce are already happening. Stable exchange rate regimes have in the past few years reduced currency fluctuations between many continental European economies. The single market has prompted manufacturers to restructure, so as to exploit EU-wide scale economies, and encouraged retailers to expand across borders. The dismantling of trade barriers has obliged manufacturers to tackle pricing anomalies, or risk seeing their marketing channels undermined by unauthorised "parallel" imports from low-priced markets to high-priced ones.

The effects are already visible in consumer electronics products. Expert International, an association of more than 3,000 electrical retailers, says manufacturers' prices diverged by as much as 35 per cent in the early 1990s. Today, they are broadly comparable throughout continental Europe.

The approach of the euro is spurring companies that have already adopted pan-European marketing strategies to review them in search of further efficiency gains. However, many say prices across the EU will never be uniform because costs of doing business vary so widely.

"There are still huge discrepancies in the structure of retailing, the efficiency of distribution systems, payment terms, promotion methods, advertising expenses and tax rates," says a European manager of a large US household products manufacturer.

The picture is still more clouded. National tastes and customs continue to segment many markets even for internationally branded goods. Nescafé soluble coffee and many popular detergents are formulated differently for individual European markets. Kodak films are sold in a variety of pack sizes across the EU. Even the standard size of toilet rolls varies between countries.

For most shoppers, the most visible impact of Emu will happen when retailers start displaying prices in euros as well as in national currencies. This trend, already under way in some parts of Europe, will be followed by euro-only pricing from 2002, when euro notes and coins become legal tender.

[illegible]

Variations in car prices

| Model | Minimum price | Maximum price | % increase on minimum price |
|---|---|---|---|
| Ford Fiesta | Portugal | UK | 43.5 |
| VW Golf | Netherlands | UK | 40.1 |
| Honda Accord | Netherlands | UK | 29.8 |
| BMW 520i | Netherlands | UK | 29.6 |

Source: [illegible]

Retailers are still wrestling with how to manage the switch. The trickiest problem is to convert into euros the psychologically important "price points". These are prices, such as £9.99, that appeal to consumers and to which retailers naturally gravitate. Many retailers say they expect to round prices down to the nearest convenient euro figure. To maintain profitability, they may simplify or reduce the size of products, or launch new ones with higher margins.

Retailers publicly insist that competition, together with fear of being accused of profiteering, will prevent the switch into euros from being used as a pretext to increase prices. But in private some say things may not work out that way. "No retailer will contemplate losing money because of the euro. Anyone in his right mind will take the opportunity to round prices up," says a senior executive of a specialist US chain with outlets across the EU. "The results will be inflationary, for sure."

Consumer groups are calling for binding legislation to prevent such abuses. But so far, lobbying by retailers and banks has persuaded the European Commission that statutory regulation would be too costly. Instead, it is proposing voluntary guidelines.

Car prices will be one way for consumers to test claims about the euro's benefits. For years, carmakers have been accused of maintaining big price differentials by thwarting free trade in vehicles between EU countries.

The European Commission has started to crack down harder on such abuses. It fined Volkswagen Ecu102m (£66m) in January for prohibiting Italian dealers from selling to customers in Austria and Germany, where its cars cost 30 per cent more. And the commission says introduction of a single currency will put to the test carmakers' claims that price differentials are explained by exchange rate fluctuations. Nonetheless, critics say price competition will remain restricted while the EU continues to exempt industry distribution arrangements from its competition rules.

The exemption, which allows manufacturers to choose the dealers they sell through, comes up for renewal in 2002. But by then, powerful pressures for change in the European market for cars, and many other products, may be growing from the internet.

In the US, companies such as Auto-By-Tel enable customers to compare car prices, place orders and arrange finance and insurance while sitting at a computer terminal. Professor Dan Jones of Cardiff University, an authority on the motor industry, expects such services to spread to Europe. That would shake up distribution and force manufacturers to move to common pricing. But Prof Jones says harmonisation could lead prices to rise, as well as fall, in much of the EU.

Mr Nebauer of Kodak agrees that the internet may turn out to be at least as important as a single currency in promoting market integration and competition. "The euro removes the hassle of differing exchange rates. The internet brings information," he says. "Combine the two, and you really have market transparency."

*This is the first in a series over the next few weeks about the birth of the euro.*

# OBSERVER

## Cragnotti pulls on his boots

Sergio Cragnotti isn't a man to shirk a tackle, so it's no surprise to find the veteran wheeler-dealer back in the thick of the action. The 58-year-old former Ferruzzi executive was in Milan yesterday to kick off the flotation of Lazio, the football club that looks set to beat its Seria A rivals to the stock market.

Flanked by daughter Elisabetta and Italian goal-keeping legend Dino Zoff, respectively the club's chief executive and president, the life-long Lazio supporter was having a field day. Next he'll be playing away from home, selling Lazio to foreign fund managers.

As a former first-team player at Ferruzzi, Cragnotti is no stranger to the public eye; he was right-hand man to Raul Gardini, the late Ferruzzi chairman who committed suicide when the agro-industrial empire went up in smoke. Cragnotti's own dream-team, merchant banking concern Cragnotti & Partners, has been more successful. Nowadays he's got fingers in everything from detergent to tomato sauce.

There have been clashes with the authorities in Italy and Ontario along the way and the Ferruzzi affair was hardly uplifting; but Consob, Italy's stockmarket watchdog, has given Lazio's float a clean bill of health – even though it means a prospectus with more small print than the Old Testament.

With the Milan Bourse beckoning, and a Uefa Cup final around the corner, Cragnotti is limbering up for another big match.

## How Dow

So you think the Dow is a little vulnerable at around 9,000? Think again. Forecaster and futurologist Harry Dent is telling anyone who'll listen that the industrial average is on the way up: his 10-year target is a high-altitude 35,000.

The California-based guru concedes that there could be a few set-backs along the way, including a full-scale correction later this year. Dent, author of the forthcoming shelf-filler *The Roaring 2000s*, also admits that there is a risk that bull market trajectory will, well, flatten off a little bit. His downside forecast for 2008? Only 21,500.

## Ask Akzo

Akzo boss Cees Van Lede is making a habit of buying his most venerable competitors. Four years ago Nobel Industries, Sweden's old industrial war-horse, was the target. Now it's the turn of Britain's Courtaulds – described yesterday by Van Lede as the Rolls-Royce of the chemicals industry.

But it's going to take more than heritage to turn Akzo Nobel and Courtaulds into a winning formula. For all its reputation as a well-managed business, the British outfit has been struggling for years. It may be stuffed with more MBAs than a business-school convention, but Courtaulds' underwhelming stockmarket performance speaks volumes. The list of familiar ailments is one reason why – unlike the sale of Rolls-Royce Motors to BMW or Volkswagen – the deal with Akzo won't provoke outraged protests from patriotic Brits.

What's more, the hodge-podge of chemicals assets being bought by Akzo Nobel is more of a hand-me-down than an heirloom; Courtaulds chairman Lord Kearton developed the chemicals side of the business only in the 1950s and 1960s. The original textiles side, founded by French emigrés in the early years of the 19th century, was demerged in 1990 and continues to weave itself an independent future.

## The right stuff?

There's an eclectic group of high-flyers at the top of Societe Européenne des Satellites, the Astra satellites owner which plans a stock market splash-down later this year. Director general Romain Bausch shares the mission control room with one fellow Luxembourg national, one German and a Latvian born in Denmark who is a Canadian citizen.

But Bausch, a former administrator general of the Luxembourg finance ministry, has introduced more than a cosmopolitan management mix in the three years since he took the controls. Under his predecessor, Pierre Meyrat, SES was so low-profile that it barely registered outside the rarefied world of satellites; Meyrat himself was accused by fellow directors of withholding information and left after a boardroom row.

Although SES still isn't the most approachable company, the climate has certainly changed and Bausch's political contacts are reckoned to be pretty useful. At the finance ministry he worked hand in hand with Jean-Claude Juncker, now Luxembourg PM.

Still, Bausch will be keen as anyone to show that SES isn't a one-man band. Last time the outfit was preparing for a stock market debut, the departure of Meyrat put the countdown on hold. Let's hope things go smoothly this time.

## Gimme shelter

The bid battle between Decaux of France and the UK's More Group, its arch-rival in the struggle to put superloos on every street corner, is not a hostile takeover – but you'd be forgiven for thinking otherwise.

Now More Group is upping the stakes: it has won a street furniture contract for the London borough in which Decaux has its headquarters and, with a certain infantile glee, plans to put one of its branded bus shelters right on the doorstep of the Decaux building.

The French camp insists that More "can't just pop along on Monday morning and put a bus shelter down". More Group boss Roger Parry thinks otherwise.

The Financial Times

## 100 years ago

**Chinese Viceroys Protest**
Shanghai, 20th April. It is stated on excellent authority that the Viceroys of Nanking, Wuchang, Foochow and Canton have arrived at an understanding for mutual support in case the Peking Government proposes measures which are unpopular in the southern provinces of the empire, calculated to restrict the viceregal powers or to increase the external influences over Chinese affairs. While protesting their continued loyalty to the Dynasty, the Viceroys emphatically condemn the blunders which they maintain have been made by the Emperor's advisers.

## 50 years ago

**Steel For India**
New Delhi, April 20. India is anxious to import as much steel as possible from the United Kingdom, the United States and Australia. Orders have been placed for 70,000 tons of rails from Canada and for 30,000 tons of rails from the United States. Dr. Shyama Prasad Mukerji, Minister for Industry, is taking steps to implement the Government's industrial policy. Negotiations are in progress with three engineering firms, two American and one British, in connection with the installation of steel plants.

FINANCIAL TIMES
TUESDAY APRIL 21 1998

## THE LEX COLUMN

# Don't clip the hedge

*Here's one for all those politicians, from* Paris to Kuala Lumpur, who love fulminating against speculators: an authoritative study on hedge funds. Commissioned in the wake of last year's Asian currency turmoil, the International Monetary Fund study examines their role in these and other recent financial crises. Alas, those expecting a gripping story of manipulation and sharp practice will be sorely disappointed.

Instead, the IMF has produced a work of demythology. True, the macro-funds that attract most headlines do generate exceptional returns: a compound annual figure of 28 per cent over 1990-97, compared with 15.7 per cent for the S&P 500. Yes, they use leverage and are highly remunerated. But on the core charges – of hunting in packs, manipulating and destabilising markets – the report is highly sceptical. Both in Asia and more generally, the impact of the macro-funds is exaggerated. Their $25bn-$30bn of capital is dwarfed by other institutions active in the same markets and their strategies are often fairly risk averse – because the traders' own capital is at risk.

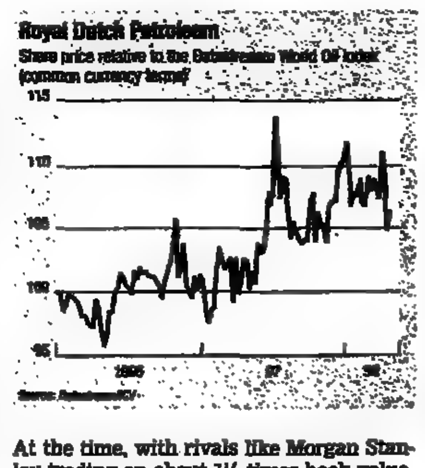
The truth is that countries pursuing sound policies do not suffer at the funds' hands. And as the UK's experience in 1992 *shows, a drubbing can anyway be a blessing* in disguise. Politicians should pursue sound policies and learn to live with the funds, rather than pursuing the chimera of clipping their wings.

### Goldman Sachs

Nobody gets to become a Goldman Sachs partner without being able to do maths. Last time the partners debated converting to a public company, back in 1996, the maths did not stack up. This time, it looks much more attractive.

Superficially, the prospect of fewer than 200 partners splitting $7bn – the relevant figures in 1996 – might have seemed appealing. But if Goldman was to thrive after converting from a partnership, other interests would have had to be squared. Former employees with capital still in the business would have had to be bought out. Young thrusters who had yet to make partner would have needed compensation to keep them on board. Even newish partners who had not yet built up big capital accounts would have demanded a bribe.

Royal Dutch Petroleum
Share price relative to the Datastream World Oil index (common currency basis)



Source: Datastream/ICV

At the time, with rivals like Morgan Stanley trading on about 1½ times book value, the pie was just not big enough to satisfy everybody.

As a result of the bull market, all these interests can now be satisfied. Goldman might trade on 3¼ times book which; given that its capital base has also increased, would make it worth around $22bn.

But just because the maths stack up does not mean conversion is the right *move. Abandoning the partnership could* easily damage Goldman's culture. Those pushing for change need to show that the strategic gains from having a public currency – say the ability to make biggish acquisitions – would more than compensate.

### Pharmaceuticals

Call it consolidation by stealth. In an industry renowned for mergers and acquisitions, a small group of companies – almost all of them from the US – is steadily growing its way to dominance. Eli Lilly, Merck, Pfizer and Warner-Lambert are producing double-digit sales gains and earnings growth of 15 per cent or better, and still investing heavily in new products.

If Pfizer had merely increased its research and development and marketing spend in line with revenues, its first-quarter earnings would have grown by over 30 per cent. But given the drug industry's high returns, it makes more sense to reinvest the cash from today's big sellers to *come up with tomorrow's blockbusters –* a textbook virtuous circle.

The 7 per cent jump in Pfizer's shares on positive (but very early) prescription data for its new Viagra impotence pill shows how highly the market rates such internal growth. By contrast, those with sluggish sales are having to restrain investment to show acceptable earnings growth. Both Pharmacia & Upjohn and Rhône-Poulenc cut R&D last year. Over time, that cannot but widen the gap between the industry's elite and the rest. Already, the world's top 35 drug companies account for 50 per cent of sales but 85 per cent of R&D spending. By that logic, a top drug stock may indeed be worth 35 times this year's earnings. But investors buying at these levels better make sure they really have picked a winner.

### Royal Dutch/Shell

It is in keeping with Royal Dutch/Shell's new culture of change that it is about to ask shareholders to authorise a share buyback, even though Dutch tax law remains prohibitive. Indeed such a move should be commonplace at annual meetings in the Netherlands this year because the law may well change within *the next 12 months. Although Royal* Dutch has substantially increased its investment in the past year, turning its cash hoard into a low level of net debt, it has also rightly talked about buying back shares. Its balance sheet remains strong enough to do both.

How much stock to buy in is another matter. Buying 10 per cent of its equity would cost nearly $20bn. That would take its ratio of total debt to capital employed to more than 40 per cent, though net debt to enterprise value would still be under 15 per cent. But even an initial 5 per cent and the all-important demonstration of a modernised attitude to shareholder value should be good news for the stock.

Other Dutch or Anglo-Dutch companies that might consider share buybacks include the airline KLM and Unilever, the foods group. Whether or not they actually jump on a pan-European bandwagon which, according to Morgan Stanley, could deliver $60bn to shareholders next year is less important than the knowledge that cash need no longer burn a hole in the board's pocket.

# Deflation fears as Japan's wholesale prices fall 2.1%

By Paul Abrahams in Tokyo

Japanese wholesale prices fell 2.1 per cent year on year in the first 10 days of April, prompting fears that the world's second largest economy could be slipping into a deflationary spiral.

Deflationary forces were given further impetus by a 7.4 per cent drop in import prices, caused by weak oil prices and the collapse of Asian currencies.

The wholesale price data and another substantial increase in the trade surplus in March, are expected to increase pressure on Japan to take effective measures to boost its economy. Details of the government's latest Y16,000bn ($123bn) economic stimulus package are due to be released this week. Deflation is the downward spiralling of prices which discourages consumers from spending because the same goods will later be available more cheaply. Boosting consumer expenditure has been one of the main demands of Japan's overseas critics.

The dire data helped keep pressure on the yen, which closed in Tokyo at Y132.05 against the dollar. The yield on the benchmark 182nd government bond fell from 1.515 per cent to 1.495 per cent.

The weak domestic economy led to a 10 per cent plunge in imports last month, a big factor in the 56 per cent *rise in trade surplus. It was the 12th* consecutive month the surplus had risen. The size of the surplus with the US has been a source of friction between the two countries.

The surplus reached Y1,252bn, as imports crumbled 10.7 per cent to Y3,338bn. Those from the European Union fell 15.6 per cent, from Asia 7.8 per cent and the US fell 0.2 per cent. Import growth was held back by a 34 per cent fall in oil imports, caused by weak commodity prices.

Export growth continued to decelerate rapidly, with exports up just 1.1 per cent at Y4,591bn. While exports to the US and EU rose 5.6 per cent and 21 per cent respectively, those to Asia fell 13 per cent.

The surplus with the EU more than doubled, up 180 per cent at Y356bn, and was 19 per cent up with the US to Y449bn. The surplus with Asia fell 25 per cent to Y464bn.

The gloomy economic tone was underlined by the Japan Iron and Steel Federation which warned that Japan's steel output in the second quarter would total only 22.7m tonnes, the lowest level for 27 years. The collapse in steel prices was a contributory factor to the price data, said the Bank of Japan.

Eiichiro Kinoshita, manager of the BoJ's Osaka branch, said it was "an exaggeration to say a classic deflationary spiral has begun". However, Masaru Hayami, Bank of Japan governor, admitted consumer demand remained weak, output was down, unemployment rising and wage growth subdued.

Mr Hayami's downbeat assessment was supported by reports from BoJ regional branches, which indicated several regions had slipped into recession.

Uneasy Japan-China ties, Page 8

# Tenders may signal change in Japan's shareholding culture

By Paul Abrahams in Tokyo

In the past four days, two western companies, NCR, the US data warehousing and computer group, and TI, a UK machinery company, have launched tenders for the shares they do not already own in their Japanese subsidiaries.

At first glance, these rare examples of open tenders in Japan seem merely opportunistic, the companies taking advantage of the deeply depressed share prices of their Japanese subsidiaries.

But they may also signal a long awaited change in Japanese shareholding culture. If the tenders succeed, they will indicate that Japanese investors are beginning to be willing to sell their holdings when they are dissatisfied with a company's performance rather than doggedly remain loyal.

Hugh Trenchard, director in charge of Japanese investment banking at Robert Fleming, the advisers to TI Group, said yesterday: "There are certainly more deals in the pipeline. Japanese financial institutions are under financial pressure and are talking about things that months ago they were reluctant even to consider."

Yesterday, TI said it was tendering for the 50 per cent of Japan Marine Technologies it did not hold. The acquisition of the marine seal manufacturer would cost a maximum of £12.8m ($21.4m).

It followed the announcement last week by NCR that it intended to pay about $300m to acquire the 30 per cent of NCR Japan it did not already own.

Although NCR and TI insist their offers are driven by strategic rather than financial considerations, the economics of the deals are compelling.

The collapse of the Japanese stock market means many quoted companies are trading near their break-up value.

NCR and TI are each paying substantial premiums above the closing price of their subsidiaries prior to the deals' announcements, but the offer prices are still substantially below recent highs.

TI is offering Y580 a share, compared with a peak in January 1996 of Y3,060. NCR is offering Y607 a share against a 1996 peak of Y1,060. The management of NCR's Japanese subsidiary has recommended the offer.

The deals could also open Japanese investment bankers' eyes to other possible benefits from opportunistic tenders.

Both of the targeted Japanese subsidiaries have substantial amounts of cash in their balance sheets. If the tenderers are successful, they will gain control of that cash, which can be used to offset the outlay for the share purchases.

NCR *is offering about Y40bn* ($308m) for the outstanding shares in its Japanese subsidiary which had net cash of Y29.6bn in December. Mr Martin Angle, finance director at TI, said that Japan Marine Technologies had cash of about £10m on the balance sheet. The subsidiary generated pre-tax profits of £1.8m on sales of £18.5m last year.

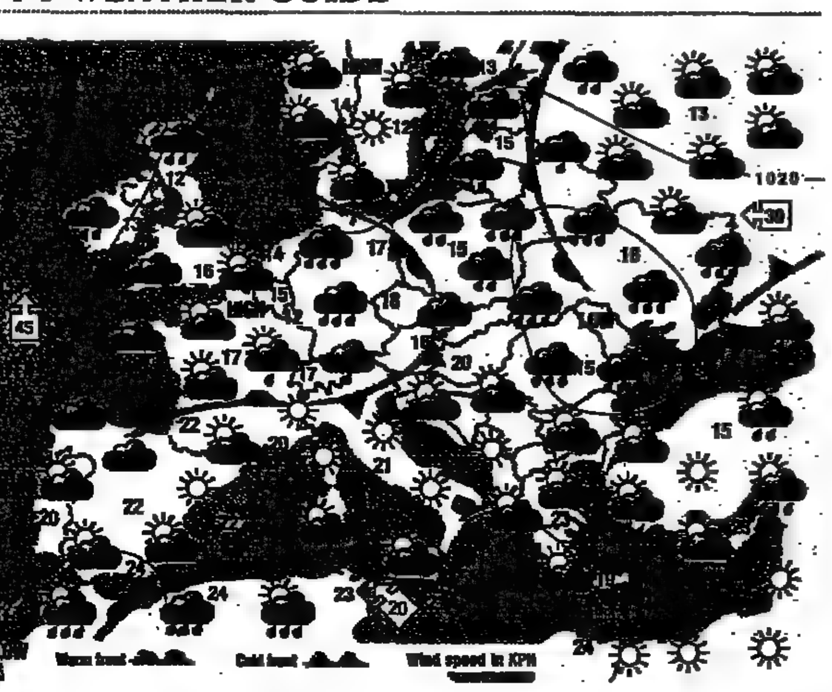
SBC Warburg, the UK investment bank, estimates there are 136 non-financial companies on the first section of the Tokyo stock exchange with net cash.


Henry Ford Hospital specialist Robert Hyzy, right, examines Wang Dan, the Chinese dissident exiled to the US after his release from jail. Reuters

## FT WEATHER GUIDE

**Europe today**
Much of Scandinavia will be dry and sunny, although Finland and Denmark will be cloudy with rain. Germany and eastern Europe will also be cloudy with rain, but western Russia should be dry and bright. The Alps will be cloudy and showery, but France and the Low Countries will be dry with hazy sunshine. Showers across northern Africa may move into southern Spain and Portugal this afternoon. The north-west of the Iberian peninsula will have rain this evening, but *the rest of the* Mediterranean will stay dry and sunny.

**Five-day forecast**
A band of showery rain will move across the Iberian peninsula tonight and tomorrow. Low *pressure will move east across the* Mediterranean, reaching Greece by Friday. The rest of Europe will have a settled week with very little rain and some fine sunny spells.



**TODAY'S TEMPERATURES**

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | Fair | 42 |
| Accra | Cloudy | 33 |
| Algiers | Shower | 24 |
| Amsterdam | Fair | 14 |
| Athens | Fair | 23 |
| Atlanta | Shower | 22 |
| B. Aires | Fair | 22 |
| B.ham | Fair | 14 |
| Bangkok | Fair | 35 |
| Barcelona | Fair | 19 |
| Beijing | Sun | 26 |
| Belfast | Shower | 13 |
| Belgrade | Shower | 17 |
| Berlin | Rain | 17 |
| Bermuda | Cloudy | 23 |
| Bogota | Shower | 21 |
| Bombay | Sun | 33 |
| Brussels | Fair | 16 |
| Budapest | Fair | 20 |
| C.hagen | Shower | 12 |
| Cairo | Fair | 25 |
| Caracas | Thunder | 30 |
| Cardiff | Cloudy | 14 |
| Casablanca | Sun | 20 |
| Chicago | Rain | 15 |
| Cologne | Shower | 15 |
| Dakar | Sun | 25 |
| Dallas | Sun | 23 |
| Delhi | Sun | 39 |
| Dubai | Fair | 41 |
| Dublin | Cloudy | 13 |
| Dubrovnik | Sun | 18 |
| Edinburgh | Cloudy | 13 |
| Faro | Sun | 21 |
| Frankfurt | Shower | 16 |
| Geneva | Fair | 17 |
| Gibraltar | Fair | 22 |
| Glasgow | Cloud | 12 |
| Hamburg | Rain | 14 |
| Helsinki | Cloudy | 18 |
| Hong Kong | Rain | 25 |
| Honolulu | Cloudy | 26 |
| Istanbul | Fair | 17 |
| Jakarta | Cloudy | 32 |
| Jersey | Cloudy | 14 |
| Johannesburg | Sun | 22 |
| Karachi | Sun | 34 |
| Kuwait | Sun | 30 |
| L. Angeles | Sun | 26 |
| Las Palmas | Fair | 24 |
| Lima | Fair | 27 |
| Lisbon | Fair | 20 |
| London | Fair | 18 |
| Lux.bourg | Fair | 12 |
| Lyon | Fair | 16 |
| Madeira | Fair | [illegible] |
| Madrid | Sun | 22 |
| Majorca | Fair | 22 |
| Malta | Fair | 21 |
| Manchester | Shower | 15 |
| Manila | Fair | 33 |
| Melbourne | Rain | 19 |
| Mexico City | Sun | 24 |
| Miami | Fair | 30 |
| Milan | Fair | 21 |
| Montreal | Fair | 13 |
| Moscow | Fair | 13 |
| Munich | Shower | 16 |
| Nairobi | Thunder | 27 |
| Naples | Fair | 21 |
| Nassau | Shower | 29 |
| New York | Sun | 18 |
| Nice | Sun | 20 |
| Nicosia | Fair | 29 |
| Oslo | Fair | 14 |
| Paris | Fair | 17 |
| Perth | Sun | 25 |
| Prague | Fair | 16 |
| Rangoon | Sun | 37 |
| Reykjavik | Fair | 9 |
| Rio | Thunder | 27 |
| Rome | Fair | 20 |
| S. Frsco | Sun | 25 |
| Seoul | Rain | 22 |
| Singapore | Fair | 33 |
| Stockholm | Fair | 12 |
| Strasbourg | Shower | 15 |
| Sydney | Cloudy | 28 |
| Tangier | Fair | 22 |
| Tel Aviv | Shower | 20 |
| Tokyo | Fair | 22 |
| Toronto | Fair | 16 |
| Vancouver | Shower | 12 |
| Venice | Fair | 19 |
| Vienna | Shower | 18 |
| Warsaw | Rain | 15 |
| Washington | Fair | 21 |
| Wellington | Cloudy | 16 |
| Winnipeg | Sun | 18 |
| Zurich | Cloudy | 15 |

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FINANCIAL TIMES
# COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1998 TUESDAY APRIL 21 1998 Week 17

## INSIDE

### Italian manager plays new game

Instead of promising to bring honour and glory to his team by splashing out on the best players, Guiseppe Gazzoni (left), president of Bologne football club, has made an earthbound pledge: to run the club as a profitable business, capable of surviving the rigours of the elite Serie A division while paying a regular dividend to its owners. A three-year budget for spending on players has been set and will not be broken. Gazzoni represents a new kind of owner in Italian football. Page 34

### More concern at Coopers merger

The Financial Services Authority, the UK's most powerful monetary regulator, still has concerns about the planned $13bn merger of accountancy firms Price Waterhouse and Coopers & Lybrand, in spite of the fact that the deal has been cleared by European Union authorities. Page 33

### Prague falters on June poll

Instead of suffering from Asian fallout, the Czech Republic's PX-50 bourse has reflected political events since the government fell in November. Sentiment firmed when the governor of the central bank was appointed caretaker prime minister this year. But uncertainty has returned with the fear that the forthcoming June elections will not produce a clear winner. Page 48

### Bid to put fizz back in phosphates

Phosphate, the chemical that helps put the bubble in a bottle of pop, is regaining its fizz after more than two flat years. Albright & Wilson, the UK commodity chemicals group that leads the world in industrial phosphates, has pushed up the US cost of phosphoric acid. Page 38

### ABN Amro still looks to France

ABN Amro, the Dutch bank, said it was still hoping to turn France into one of its home markets, in spite of the failure of its bid for CIC this month, which went to French competitor Credit Mutuel. ABN Amro said it was still on the lookout for large acquisitions that would establish it as a leading force in European markets. Page 33

### Frankfurt closes at record peak

The high-tech and banking sectors shone as Frankfurt's Xetra Dax index gained 81.30, or 1.5 per cent, to close the session at an all-time high of 5,407.93. In high-techs, SAP, the software group, surged DM38.40 to DM938.45 on expectations that it would report good first-quarter results today. Europe report, Page 48

### Indian edible oil prices up 20%

Prices of edible oils in India have risen more than 20 per cent since January as the winter production of oilseed crops had been forecast to fall from 9.72m tonnes last time to 8.47m tonnes. Page 38

## COMPANIES IN THIS ISSUE

CROSSWORD, Page 38

## MARKET STATISTICS

# VW steps up campaign to acquire R-R Motors

By Graham Bowley in Hanover and Roger Taylor in London

Gerhard Schröder, premier of Lower Saxony, has held talks with Tony Blair, the UK prime minister, to put the case for Volkswagen's bid for Rolls-Royce Motor Cars.

The move indicates the German carmaker's determination to halt the sale of the luxury carmaker to its rival BMW.

Mr Schröder, the Social Democratic party's candidate challenging Chancellor Helmut Kohl in Germany's general elections this year, met Mr Blair at a gathering of international socialists in London a few weeks ago and put the case for VW's bid. The north German state of Lower Saxony is VW's largest shareholder and Mr Schröder is on VW's supervisory board.

Downing Street last night said it had no record of a conversation between Mr Blair and Mr Schröder relating to VW's hopes of acquiring Rolls-Royce Motors. It said the two men met most recently for "only a few seconds" on the eve of the European Union enlargement conference in mid-March.

Lower Saxony officials said Mr Schröder had met JMr Blair in London but could not confirm that the two men had discussed Rolls-Royce.

Vickers, the UK engineering group, agreed this month to sell Rolls-Royce Motor Cars to BMW for £340m ($568m) after VW, which was also negotiating with the company, refused to increase its offer. Any sale must be approved by Vickers' shareholders.

This Saturday, VW's supervisory board is meeting to discuss an improved £370m offer for Rolls-Royce. The company is set to approve the higher bid with other inducements.

In a change of heart, VW management have accepted that Rolls-Royce would remain an independent company rather than being brought under the control of Audi, VW's luxury car arm. There were fears that, if VW succeeded, Rolls-Royce production would be transferred to Bavaria, where Audi is based.

Gerhard Schröder, premier of Lower Saxony, VW's largest shareholder, is helping the company outmanoeuvre BMW's bid for R-R motors. Reuters

It is also offering to buy British engines from Cosworth, the subsidiary of Vickers, for the new Rolls-Royce model, fitted with BMW engines. VW is also prepared to enter negotiations for Cosworth.

A renewed VW bid would include a plan to raise output of Rolls-Royce cars to 10,000 units a year, which exceeds BMW's plans.

VW has accepted that it has to offer more than BMW because of its rival's existing close links to Rolls-Royce and Rolls-Royce plc, the aero-engine manufacturer that formerly owned the car company.

The aero-engine company can withhold the Rolls-Royce name if the car company is bought by a non-UK company. It is happy for the company to go to BMW, with which it has a joint venture, but has not said the same about VW.

Vickers has asked the European Commission to rule that any attempt to favour one bidder over another would be anti-competitive.

# Deutsche steps up expansion

## Asset management division targets growth in US, Europe and Japan

By Jane Martinson, Investment Correspondent

Michael Dobson, the head of Deutsche Bank's asset management business, is to step up the group's expansion efforts in Europe and the US to ensure it remains a leading player in the rapidly consolidating industry.

After conducting a strategic review of Deutsche's combined asset management division since he took control earlier this year, Mr Dobson believes recent mergers and takeovers in the industry have increased the stakes for groups that aim to be global leaders.

He wants the division, which has assets of DM460bn ($253bn), to remain one of the largest fund management groups in the world. The division, currently ranked just outside the top 10, was formed in January from the combination of Deutsche Morgan Grenfell, the group's predominantly institutional business in London, and DWS, its German mutual fund business.

"This business is well diversified but there are also some gaps which we want to look at filling as we go forward in the next few years," Mr Dobson said yesterday.

Continental Europe outside Germany tops the list of target markets, followed by the US, where the group manages $60bn.

Mr Dobson has also identified growth opportunities in Japan.

Analysts have questioned whether the group could create a truly global company without making an acquisition. Neil Crowder, an analyst at Goldman Sachs in London, said: "It would be fairly difficult to get a meaningful penetration of the US market organically."

Mr Dobson, a member of the Vorstand, the bank's executive board, said that the group was keen to look again at purchases. "We haven't found anything in the past because we haven't found the right opportunity. That's something I want to revisit."

He has top level support from the bank, which made a DM2.5bn provision as part of January's reorganisation.

The division's newly formed executive committee will meet tomorrow for the first time to discuss expansion plans and its efforts to further integrate the two largest businesses.

The committee will look at "quick wins" in areas such as sales and marketing and product development. There are also back office cost savings to be made although Mr Dobson said the emphasis would not be on job cuts.

# Liffe leads with plan for euro derivatives

By Edward Luce in London

The London International Financial Futures and Options Exchange yesterday stole a march on its competitors with plans to launch the first derivatives contract to be denominated in the future single European currency.

The move, which follows a fiercely competitive challenge over the last year from the Deutsche Terminbörse, Liffe's Frankfurt-based competitor, coincides with the end of a two-day Liffe board meeting today which is expected to agree on radical alterations to the structure of the exchange.

An official at Liffe yesterday said the new contract would be launched on April 30, just before European leaders meet in Birmingham to decide which countries qualify for the first wave of European economic and monetary union.

The contract will be a future based on three-month euro-denominated interest rates – expected to be the most heavily traded instrument after monetary union.

The contract will enable users to hedge against unexpected gyrations in the prime interest rate. It will have exactly the same delivery and pricing characteristics as the existing Euromark futures and Eurolira contracts so that trading in both currencies can merge smoothly into one market after they have been replaced for trading purposes by the euro next January. The contract will be priced in Ecu until January 1999, after which it will convert into the euro at a rate of one-to-one.

Brokers in London yesterday applauded Liffe's decision to launch the euro interest rate contract in advance of its main competitors. "Liffe is starting to fight back," one broker said.

Liffe has attracted growing criticism in recent months for failing to respond swiftly enough to the challenge from the DTB and its French and Swiss-based alliance partners, Matif and Soffex. The DTB, which champions electronic trading against Liffe's traditional "open outcry" floor trading system, has won more than 70 per cent market share in the key futures contract on the 10-year German government bond. Just 12 months ago, Liffe had a 70 per cent share of the market.

However, Liffe is expected this week to announce changes to enable the exchange to respond more swiftly to competition from the continent. Liffe has also announced plans to set up a daytime electronic trading platform by the end of 1999. The board of directors could decide to bring this forward at today's board meeting.

FINANCIAL SERVICES GROUP ATTRIBUTES STRONG PERFORMANCE TO CROSS-SELLING OF PRODUCTS

# Travelers enjoys record $1bn first quarter

By Tracy Corrigan in New York

Travelers Group, the US financial services group which earlier this month agreed to merge with Citicorp, yesterday reported record first-quarter earnings of just over $1bn, beating analysts' estimates.

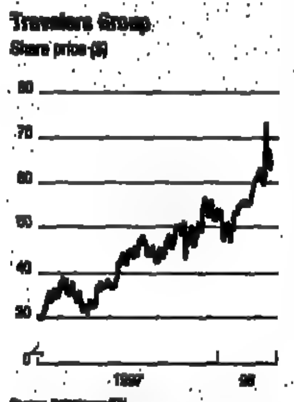
Sanford Weill, Travelers' chairman and chief executive, said the strong performance demonstrated the "company's ability to cross-sell financial products and services manufactured by one unit through the distribution network of another".

Although the planned $170bn mega-merger with Citicorp was well received by Wall Street, some analysts have expressed scepticism about the new Citigroup's predictions that it will add $1bn to earnings by the end of 1999, largely as a result of cross-selling each other's products.

Mr Weill yesterday defended the company's record on cross-selling through its subsidiaries. "You should note that Commercial Credit loans, Travelers' auto and homeowners insurance, Salomon Smith Barney mutual funds and Travelers' annuities are increasingly important products sold through Primerica representatives. Travelers' annuities, life insurance and long-term care insurance are increasingly sold by Salomon Smith Barney.

"In each of these examples, the product is especially designed for the unique needs of the distributing unit's customer base. We believe this avoidance of mass production – or the so-called 'supermarket' approach – is the primary factor that has made our company's cross-selling efforts so successful."

Travelers Group
Share price ($)



Source: Datastream/ICV

Mr Weill added: "We feel we're really good [at cross-selling] and with Citi we'll be able to do the same thing with a much bigger client base."

Sallie Krawcheck, analyst at stockbrokers Sanford C Bernstein, said that the projected earnings growth from Citigroup required only small additions of market share.

Travelers reported first-quarter earnings of 84 cents a share, up from 66 cents a year ago, on record revenues of $10.4bn. Primerica Financial Services and Travelers Life and Annuity each produced record operating earnings of $94.6m and $118m respectively.

Salomon Smith Barney reported operating earnings of $502m on net revenues of $3.1bn. Its return on equity was 23.1 per cent.

"The quarter shows that Salomon Smith Barney has really come together as a company," said Jeffrey Lane, vice-chairman of Travelers Group.

"We believe that we are just starting to scratch the surface of the opportunities."

On the subject of acquisitions, Mr Lane noted "[Mr Weill] is a strategic genius. You never know when [an] opportunity is going to become available."

Mr Weill added: "From a global point of view, we've done the big deal. From a local point of view, it may make sense [to make acquisitions] that increase market share in a particular region."

# Asia crisis cuts net profits at Bangkok Bank

By Ted Bardacke in Bangkok

Bangkok Bank, Thailand's largest commercial bank, yesterday kicked off the sector's first-quarter reporting season with a 98 per cent fall in net profits. The announcement came as the bank prepared to price a new share issue that could bring in $1bn.

Net profits tumbled to Bt74m ($1.9m) from Bt5.02bn in the first quarter last year, as the bank increased first quarter provisions to Bt7.7bn from Bt1.8bn last time.

Many Thaibanks, reeling from the country's financial crisis, are expected to report losses for the quarter because of high provisions against non-performing loans which have soared since the economic downturn.

Last month, the Thai Central Bank introduced strict new loan classification rules designed to bring local banking regulations up to international standard. These new regulations are expected to push Thai banks to raise an additional Bt200bn in new capital this year alone to repair their balance sheets.

Total provisions at Bangkok Bank now stand at approximately 8 per cent of total loans, according to brokers ING Barings. They forecast the bank will make an additional Bt35.2bn in provisions by the end of the year to bring them to 8.6 per cent of total loans.

The bank said its results showed it "intends to take a prudent approach to provisioning" while it begins a number of "new initiatives to improve its liquidity, efficiency, asset quality and public confidence".

Foremost among these moves is an attempt to raise capital by issuing 400m new shares to international investors in a global offering co-ordinated by Morgan Stanley Dean Witter. Subscription ended yesterday and brokers reported strong interest. The shares are expected to be priced on Friday and the bank's target price is Bt100 a share. Earlier this month Thai Farmers Bank, Bangkok Bank's main rival, raised $857m from international investors. Bangkok Bank is understood to have asked some Asian financial institutions to take minority stakes in the bank via a large subscription to the new shares.

Among those approached by Chatri Sophonpanich, executive chairman, is the Bank of China. It was offered a 10 per cent stake during a meeting last week between Mr Chatri, Chinese premier Zhu Rongji and Thailand's deputy prime Minister Supachai Panitchpakdi.

China Development Corporation of Taiwan has also been approached. Last month, China Development bought a controlling stake in Bangkok First Investment, a finance company subsidiary of Bangkok Bank, for Bt625m. Bangkok Bank has been shedding control of a number of finance company subsidiaries ahead of its capital raising programme.

Temasek Holdings, an investment arm of the Singapore government, said last week it was also considering a 10 per cent stake in Bangkok Bank.

**MARKETING** US GROUP NAMES NEW CHIEF FINANCIAL OFFICER FOR ALLIANCE MARKETING DIVISION

# Appointment stems fall in Cendant shares

*By John Authers in New York*

Cendant, the US direct marketing company whose share price almost halved last week in the wake of its announcement that it had found "potential accounting irregularities", yesterday appointed a new chief financial officer for its Alliance Marketing division, where the problems took place.

It was part of a concerted campaign to regain the confidence of the stock market. This appeared effective, with Cendant's shares gaining more than 10 per cent in early trading, up $2¼ at $23⅞.

The company continued to be by far the most heavily traded stock on the New York Stock Exchange, as it has been since its announcement last Wednesday. Its share price remains more than 40 per cent below the $42 level of two weeks ago.

Michael Wargotz, the 39-year-old former head of investor relations for HFS, which merged with CUC International last year to form Cendant, will now be chief financial officer of the Alliance Marketing division. Mr Wargotz, who had previously worked at Price Waterhouse and American Express, is a specialist in investor relations.

His appointment signalled another move to ensure that financial controls of the company rest with former HFS executives, as the Alliance Marketing division was formerly part of CUC. Cosmo Corigliano, former chief financial officer of CUC, was dismissed last week.

Cendant also tried to stem speculation that it would be unable to complete two large acquisitions announced last month – the $3.1bn stock swap to buy American Bankers Insurance of Miami, and the $1.3bn cash purchase of National Parking Corporation of the UK.

Gerald Gaston, American Bankers chief executive, said yesterday that the accounting irregularities at Cendant had been addressed, and that he expected the merger to be completed by the end of the summer.

The merger has already been delayed, as insurance regulators in Florida want to see Cendant's restated accounts before clearing it.

Cendant said Chase Manhattan, the administrative agent for its bank facilities, had received waivers from the company's syndicate banks covering $2bn of loan facilities. An additional $1.5bn of committed bank lines were available under separate facilities, while Chase had committed to provide $1.5bn to fund the cash portion of the ABI purchase.

The waivers were required following the announcement that Cendant would restate its 1997 accounts.

Henry Silverman, Cendant chief executive, said the money remained available for funding the National Parking acquisition. He said Cendant's share price was "not relevant" with respect to the ABI deal until 10 days before it closed.

# Restructured Whirlpool advances 58%

*By Nikki Tait in Chicago*

Better results from its European operations and a strong performance in its core North American market helped Whirlpool, the biggest manufacturer of large home appliances in the US, to post a 58 per cent recovery in first-quarter profit from continuing operations, at $68m after tax.

The comparable figure for the first three months of 1997 was $43m.

The results follow an overhaul of Whirlpool's operations last year, when it announced some 4,700 job cuts spread across Europe, Asia and North America, and decided to pull out of two joint ventures in China.

The company said yesterday there had been continued productivity improvements in its North American business, leading to higher margins and record profit levels.

Sales for the quarter were "very strong" and the company said it was now looking for a 2 per cent increase in industry shipments this year. Two months ago, when it reported 1997 earnings, Whirlpool talked of a slight downturn in US appliance industry shipments in 1998.

Sales for the three months to the end of March were $2.46bn, up from $1.99bn last time – although this largely reflected the consolidation of Brasmotor, the Brazilian company in which Whirlpool lifted its stake from 33 per cent to 66 per cent last year. Earnings per share, meanwhile, increased to 90 cents against 57 cents previously.

Including the results of the financial services business, which has now been divested, the Michigan-based company's net profits stood at $80m, up from $46m.

Europe – which has been a problematic market for both Whirlpool and some of its large competitors in recent years - also benefited from better product shipments and cost-reduction moves.

The group said it believed there would be continued performance improvements in the region. Again, it lifted its forecast for industry growth to about 3 per cent for 1998 – up from previous estimates of about 2 per cent.

Latin America was less encouraging, with sales declining on the back of weaker conditions in the big Brazilian market, although Whirlpool said performance had been "solid", thanks to cost-reduction efforts and stepped-up marketing. It expected industry shipments to Brazil this year to be similar to those of 1997.

Meanwhile, the Asian business was "at planned levels" with restructuring efforts said to be on schedule. The company reaffirmed its target of reaching break-even – or close to this – for the full year.

# Low metal prices hit Canadian producers

*By Scott Morrison in Toronto*

Low metal prices contributed to a sharp drop in first-quarter results at Canadian mining groups Cominco and Falconbridge.

Cominco, the zinc, lead and copper producer, made a net loss from continuing operations of C$3m (US$2.1m), or 3 cents a common share, for the quarter. That compared with net earnings of C$24m, or 28 cents, last time. Sales revenues fell 9 per cent to C$379m.

The company said that reduced Asian demand contributed to the revenue fall.

The company's share price rose 20 cents to C$25.45 at mid-session yesterday.

Falconbridge, the nickel and copper producer, reported earnings of C$2.3m, or 1 cent a common share, for the quarter.

Analysts had expected earnings of 3 cents. Last time earnings were C$46.1m, or 26 cents.

Revenues were C$443m, almost C$60m lower than last year, while operating income fell C$65m to C$10m.

The shares, which have fallen from C$33 in 1997, were unchanged at C$22.00 at mid-session yesterday.

# AT&T faces $1.2bn charge over job cuts

*By Christopher Price in San Francisco*

AT&T, the US telecommunications group, yesterday said it was likely to take a charge of up to $1.2bn in the second quarter as it strives to reduce its 120,000 workforce.

It has written to 46,000 managers offering voluntary retirement, and Michael Armstrong, chairman and chief executive, said he expected about 10,000 to accept.

He added that the cost would be largely offset by the gain from the sale of Universal Card Services, the group's credit card business, which was sold earlier this month to Citicorp for $3.5bn.

The announcement came as AT&T unveiled a 19 per cent rise in first-quarter earnings, ahead of market expectations. It reported earnings from continuing operations of 80 cents a share, or net income of $1.3bn, compared with 67 cents, or $1.1bn, last time. However, operating income declined from $1.6bn to $1.4bn.

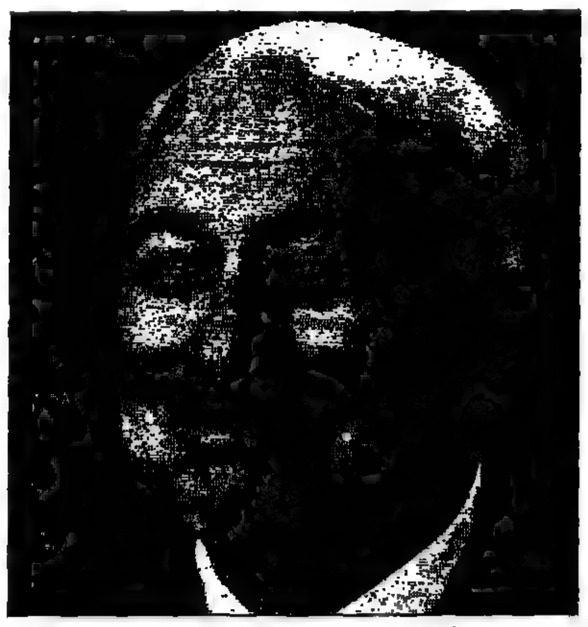
The earnings included a 26 cents gain from the sale of assets, and a 23 cents charge, or $601m, against software bought for accessing a particular part of the local call market which the company has decided not to pursue. Excluding gains and charges, earnings per share were 77 cents.

Revenues were slightly higher at $12.6bn against $12.5bn, underlining the company's keenness to reduce costs. Mr Armstrong said the likely result from the second-quarter charges and gains would be earnings of between 80 cents and 82 cents a share, a 40 per cent rise on the same period a year ago.

The reduction in the workforce would help generate savings this year of $1.6bn. By the end of next year, AT&T expects to have costs from sales and administration down from 27 per cent of revenues to 22 per cent.

The effort to reduce costs comes against the continuing decline in the group's traditional telecoms market. Revenues from consumer services declined 5 per cent to $5.6bn, due to access charge reductions and a policy of targeting higher-value customers and shedding less profitable ones.

However, there were strong performances from AT&T's value-added services. AT&T Solutions, for example, which offers systems integration services, increased revenues 21 per cent to $228m.



Michael Armstrong: expects 'modest' revenue growth AP

Mr Armstrong expected "modest" revenue growth in the third and fourth quarters, to be driven largely by cost reductions and some volume improvement.

# CanWest to contest terms of rival C$975m offer for WIC

*By Scott Morrison*

CanWest Global, the Canadian broadcaster that had offered C$710m for WIC Western International Communications, said yesterday it would contest the terms of a rival C$975m agreed offer by Shaw Communications, the cable-TV provider which also owns radio stations.

Arguing that the Shaw-WIC agreement was "improper", CanWest said it had applied to securities regulators to set aside WIC's agreement to sell its radio assets to Shaw, which has an option to acquire WIC's 12 radio stations for C$160m even if its full offer is topped by a rival bid.

CanWest's offer was set to expire last night, but the company was due to make a further statement regarding its cash bid for WIC. Observers have suggested that CanWest may increase its bid for WIC, which also operates nine television stations.

WIC also owns 54 per cent of Canadian Satellite Communications and 10 per cent of ExpressVu, a direct-to-home television service. Jim Shaw, the company's chief executive, said the deal would create a stronger, more diversified group.

Canadian broadcasters have been jockeying to control an ever-larger segment of the country's airwaves. Once limited to regional concessions, broadcasters such as WIC, CanWest and Baton Broadcasting have encroached on each other's turf in a bid for national market share.

Shaw, which already owns 49.9 per cent of WIC's voting shares, was seen as the only broadcaster with the means and interest to compete against CanWest's offer. Analysts, however, had predicted that Shaw and CanWest were more likely to negotiate a new ownership structure than risk a prolonged battle.

CanWest's offer was surprising as its C$39-a-share offer put an equal value on both WIC's voting and non-voting shares. The company had also threatened to sue for the right to convert its 35 per cent non-voting shares into voting shares.

WIC's controlling Griffiths family has agreed to sell its voting shares to Shaw and another broadcasting concern, the Allard family, for C$91m. That left CanWest with a block of non-voting shares while Shaw and the Allards assumed control of WIC's limited number of voting shares.

Restructured Whirlpool advances 58%

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**PHARMACEUTICALS** NEW DRUGS ACCOUNT FOR 86% OF US GROUP'S SALES GROWTH

# Strong quarter lifts Lilly shares

By Tracy Corrigan in New York

Shares in Eli Lilly, the US-based drugs company, rallied yesterday following strong first-quarter earnings and amid speculation that its new osteoporosis drug could also be used for the prevention of breast cancer.

Lilly reported net income of \$521m, up 20 per cent on the same period a year ago, and earnings per share of 46 cents, in line with analysts' estimates and up from 38 cents a year ago. Worldwide sales rose 16 per cent to \$2.27bn.

"During the first quarter, our newer products accounted for 86 per cent of our overall sales growth," said Randall Tobias, chairman and chief executive.

Evista, its osteoporosis drug launched in the first quarter, had sales of \$23.4m. Lilly said prescriptions had been growing "at a steady rate and the company is optimistic about the long-term success of the product".

However, analysts said that expectations for the drug's early sales were lower than a year ago. But analysts were interested in unreleased clinical data which suggests that Evista, the brand name of raloxifen, could be used to prevent breast cancer.

"People are pretty intrigued by it, but it's hard to quantify right now," said Alex Zisson, pharmaceuticals analyst at Hambrecht & Quist, the investment bank.

Mr Zisson said that since it would take several years for clinical trials to be completed, regulatory approval, should the treatment be proven to work, would probably be up to six years away.

Recently, it emerged that tamoxifen, the off-patent cancer drug sold under the brand name of Nolvadex by Zeneca, has been found to be effective in preventing breast cancer.

The prospect of a similar application for Evista, and the suggestion by the company in an analysts' meeting that its blockbuster drug Prozac may not go off-patent in the US until 2004, later than previously thought, helped assuage concerns about any dip in profits.

Mr Zisson said that both Prozac, an antidepressant, and Zyprexa, for the treatment of schizophrenia, had strong quarters.

Prozac sales reached \$617m, up 10 per cent. Zyprexa, launched 18 months ago, sold \$287.2m, led by US sales, bringing total sales of the drug to more than \$1bn.

Zyprexa is currently approved for the treatment of schizophrenia and psychotic disorder in more than 65 countries and is under review for the treatment of bipolar disorder, or manic depression.

Lex, Page 28


Randall Tobias: newer products fuelled bulk of sales growth

# AFC acquires credit card unit for $896m

By Tracy Corrigan

Associates First Capital, the US finance and leasing company, has agreed to buy SPS Transactions Services, a credit card transaction processor majority-owned by Morgan Stanley Dean Witter, in a deal valued at \$896m.

MSDW recently said it planned to sell and close underperforming parts of its credit card business, and might consider a sale of its Discover credit card business, which has 40m card holders, in the longer term.

It has already agreed to sell its Prime Option MasterCard credit card portfolio to an unnamed buyer, a deal which is expected to close in the second quarter.

Philip Purcell, MSDW chairman and chief executive, said: "SPS has performed well, but in the year since the creation of Morgan Stanley Dean Witter, we have developed a strategy that focuses more directly on our core securities, asset management and general credit services businesses."

A subsidiary of MSDW, which owns about 73 per cent of SPS stock, has entered into an agreement with Associates to vote all its shares in favour of the deal.

SPS has two principal subsidiaries, SPS Payment Systems and Hurley State Bank, and reported net income of \$38.5m in 1997.

The acquisition will provide Associates with "a substantial portfolio of credit card receivables and a range of technology capabilities such as transaction processing, portfolio management and inbound teleservices", the company said.

SPS manages a portfolio of credit card relationships and had outstanding credit card receivables of \$2.3bn on December 31 1997.

Associates First Capital, which is based in Dallas, Texas, is a leading provider of consumer and commercial financial and leasing.

It was formerly wholly owned by Ford Motor, and has managed assets of more than \$63bn.

# Private prisons merger creates $4bn company

By William Lewis in New York

Corrections Corporation of America, one of the world's largest prison management companies, plans to merge into CCA Prison Realty Trust, its sister prison real estate investment trust (Reit) company.

The combined company will operate as a Reit with a market capitalisation of about \$4bn.

Congress is examining proposals to curb the tax advantages enjoyed by certain Reits, but Doctor Crants, who is chairman of both companies and will be chairman of the new company, said the transaction would "produce an exceptional investment opportunity".

He said the "resulting company structure will combine the tax and dividend benefits of a Reit with the high-growth prospects of a quality growth company".

While CCA Prison Realty Trust – known as PZN – is to be the publicly traded investment vehicle, Mr Crants said the "new CCA" would continue to operate as its management company with the same team.

Mr Crants also said that the move would produce a stronger balance sheet and would reduce the overall cost of capital. He also expected significant marketing synergies.

In 1984 CCA opened the first private correctional facility and now manages prisons and other correctional institutions for government agencies. It claims to be the industry leader in private sector corrections, with 62,487 beds in 77 facilities under contract in the US, UK, Australia and Puerto Rico.

PZN was formed as the first prison real estate investment trust in April 1997 and owns 20 facilities in nine US states.

CCA is to be merged into PZN in a tax-free reorganisation. The exchange ratio for CCA common shares will be 0.875 PZN share for each CCA share.

The merger has been approved by the independent board members of both companies and is expected to close in January 1999.

The private prison industry has been undergoing rapid consolidation in recent years, led by CCA and rival Wackenhut Corrections.

Yesterday, CCA and PZN also announced the acquisition of US Corrections Corporation, a privately-owned prison management company based in Louisville, Kentucky. CCA paid \$10m for USCC's management contracts. USCC is to be merged into PZN for about \$147m in cash and the assumption of \$108m of debt.

# Borg-Warner sells alarm side

By Nikki Tait in Chicago

The realignment of interests in the US security industry continued yesterday as Borg-Warner Security, the supplier of physical services such as security guards, agreed to sell its Wells Fargo Alarm business to Tyco for \$425m.

The Wells Fargo business, based in Pennsylvania, provides electronic security services, such as fire detection and monitoring and "access control". It has annual sales of about \$250m, and operates in both the US and Canada.

Tyco, which owns the ADT Security Services business, said the cash deal would help cement its leadership position in electronic security and also provide cross-selling opportunities with its fire protection business. It added that the transaction was expected to be accretive to earnings immediately.

Beside the Wells Fargo transaction, Tyco and Borg-Warner announced they were also planning a "strategic partnership", which would see them sell a combined package of electronic and physical security services.

"This will enable both companies to capitalise on the global trend towards outsourcing . . . and the growing demand for total security systems," said Joe Adorjan, Borg-Warner Security chairman.

The Chicago-based company added that proceeds of the sale of the Wells Fargo Alarm business would be used to pay down debt and give it more flexibility to invest in its core business and make acquisitions both in the US and overseas.

The US security industry has seen a raft of transactions recently, as a number of new players – notably regional telephone companies, such as Ameritech, and electric and gas utilities such as Entergy and Western Resources – have pushed into the sector.

## NEWS DIGEST

ENERGY

### Occidental earnings held back by lower prices

Lower crude oil and natural gas prices sliced into first-quarter profits at Occidental Petroleum, cutting profits before special items to \$89m, compared with \$127m last time. Including an after-tax gain of 11 cents from the sale of the Midcon gas transmission and marketing subsidiary, net income per share was 50 cents, against 48 cents in 1997. The first-quarter figures also include pre-tax gains on the sale of non-strategic oil and gas properties and reflect a strong rise in earnings from chemicals, attributed to lower feedstock prices. Revenues fell from \$1.9bn to \$1.7bn.

Oil and gas earnings before special items fell almost 50 per cent from \$247m to \$127m, and chemicals advanced from \$92m to \$158m, the company said.
Christopher Parkes, Los Angeles

STEEL

### Inland slips to $21.8m

Inland Steel, the Chicago-based steel company currently subject to a \$1.4bn bid from the Netherlands-based Ispat group, yesterday reported a fall in first-quarter earnings to \$21.8m after tax, compared with \$31.2m a year ago. The downturn came in spite of a 7 per cent increase in sales, at \$1.29bn. Earnings per share were 40 cents, against 59 cents previously. The fall was on the lower side of expectations which averaged about 44 cents, according to First Call.

The drop came on the steel manufacturing side, where operating profits fell from \$38.3m to \$21.8m; the materials distribution interests reported an increase from \$35m to \$37.8m. Nikki Tait, Chicago

MEAT

### One-off charge puts IBP in red

The glut of domestic beef supplies and slump in South Korean demand caused IBP, the largest meat processor in the US, to report sharply reduced first-quarter earnings. The Nebraska-based group said it made profits, after tax but before extraordinary items, of \$13.6m, on sales of \$3.22bn. That compared with \$32.3m last time, when sales were \$3.13bn. After a \$14.8m extraordinary item in the latest quarter – related to the early paying down of debt – IBP's bottom-line result dipped \$1.2m into the red.

The company described the result as disappointing, and said that while its domestic beef operations remained in the black, "operating earnings were down significantly". This was only partly offset by higher earnings on the pork side, where IBP recently restructured production capacity.

Overall, the company said export dollar sales increased slightly, with a plunge in sales to South Korea being offset by better exports to other parts of south-east Asia, Mexico and Europe. But the Asian turmoil also affected some allied products, and IBP was forced to sell at discounted prices into alternative markets. Nikki Tait

**TELECOMMUNICATIONS** MURDOCH PAYS £48m FOR STAKES IN THREE TELEPHONE COMPANIES

# News Corp turns to eastern Europe

By Alan Cane

Rupert Murdoch yesterday moved into Russia for the first time and into conventional telecommunications, spending £48m ($81m) in cash for stakes in three eastern European telephone companies.

News America, a wholly-owned subsidiary of Mr Murdoch's News Corp, is buying Cable and Wireless's 30.2 per cent stake in PLD Telekom and its 11 per cent interest in PeterStar, the St Petersburg local and long-distance operator. As part of the deal, C&W's 50 per cent stake in Belcel, a mobile phone operator in Belarus, will be transferred to PLD.

NewsCorp said yesterday that it was negotiating to sell half its newly acquired stake in PLD to LogoVaz, a Russian industrial conglomerate.

It refused to comment further on the deal, arguing that the strategy would become clear.

Analysts believe, however, that Mr Murdoch has become increasingly attracted to the possibility of doing business in eastern Europe.

They point out that his Asian enterprises have seen difficulties and that he recently failed to buy a controlling interest in Mediaset, the Italian television group.

They believe that the Russian assets, while not the perfect vehicle for his ambitions, were available and would give him a rare opportunity of entrance to an unfamiliar market.

PLD Telekom, listed on Nasdaq, is one of Russia's big, fastest growing operators. Over the past four years, it has developed from a start-up venture to a full-service telecoms operator. It is the sole provider of cellular services in Kazakhstan.

James Hatt, chief executive, said the involvement of News Corp was an excellent and extremely welcome move for PLD, which was positioning itself to take advantage of an expected explosion of demand in Russia for telecoms, especially value-added data services and the internet.

He said the addition of the kind of content News Corp would be able to provide would greatly accelerate the convergence of telecoms, computing and media in Russia.

Analysts expect PLD to become profitable in 2000 following delays in rolling out its network. PeterStar, however, almost doubled its number of exchange lines in 1997.

The sale to News Corp is part of a programme of disposals that C&W has undertaken to rid itself of businesses where it has neither control nor significant management influence.

It said yesterday that it would make a profit of about £13m on the deal.

# Provisions hit Chinese brewery

By Louise Lucas in Hong Kong

Tsingtao Brewery, the first China enterprise to obtain a listing on the Hong Kong Stock Exchange, made bad debt provisions of Yn37m ($2.65m) to the end of last year, sharply higher than its attributable profits of Yn28.4m.

The company, which saw profits rise 11 per cent from the previous year's Yn25.68m, said it had adopted a very cautious approach to its account receivables to protect its shareholders.

Zhang Xueju, company secretary, said: "The provision will be sufficient to resolve the possible bad debts arising from ageing accounts receivable incurred in previous years.

"Starting from this year, the company has strengthened its controls on credit sales and the recovery of receivables. The company no longer allows ordinary companies to buy on credit."

The issue of bad debt has confounded most of the H-shares – mainland enterprises with Hong Kong listings. As the mainland sought to tighten credit, companies became ensnared in "triangular debt", unable to pay their own debts because they were owed money by clients.

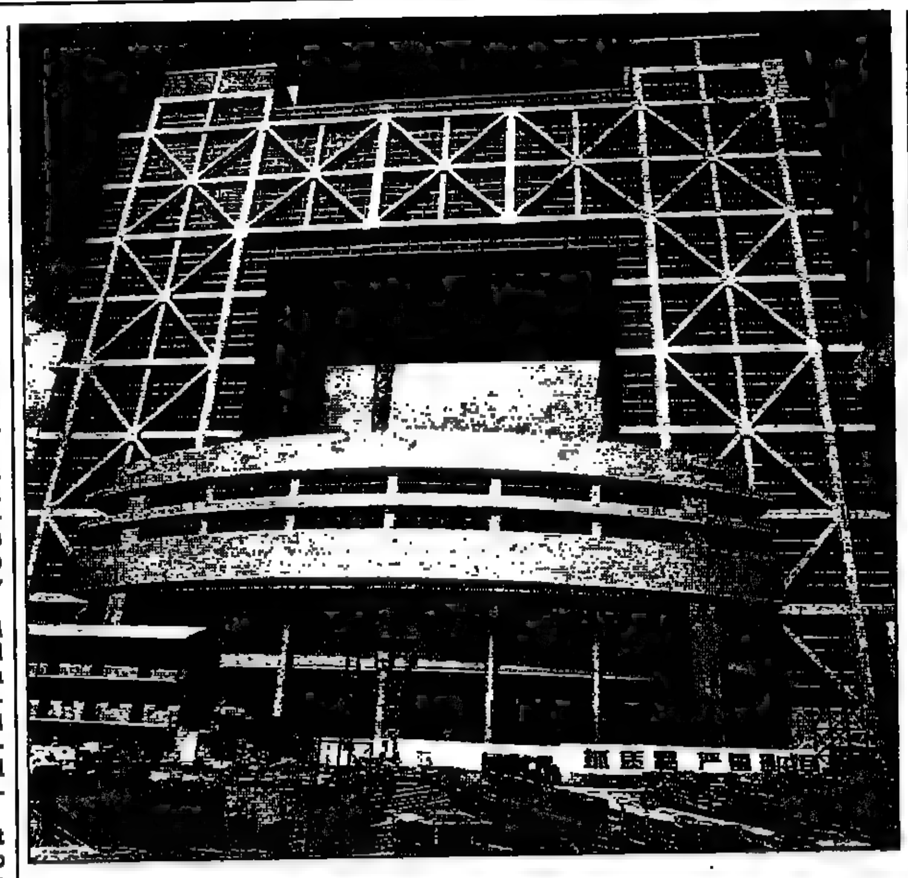
The brewery's production capacity has been boosted through mergers and acquisitions, and production costs fell last year – the first drop recorded since the company was established in 1993.

Following protracted delays, Tsingtao has merged with Pingdu Brewery, which was freed from debt liabilities, and acquired a second factory in Shandong province. These deals increased Tsingtao's production capacity by 100,000 tonnes.

A new Sino-Japanese joint venture, Shenzhen Tsingtao Beer Asahi Brewery, is due to begin production this year. It will have capacity of 100,000 tonnes of pure draught beer a year.

Sales last year were sharply stronger, with the new premium-brand Gold Label reaching 30,000 tonnes after sales promotions targeted locally at the mass market.

Earnings per share rose 11 per cent to Yn0.032, and the company will again not pay a dividend.



Chen Rong, the Shanghai entrepreneur who has made his fortune manufacturing equipment for 10-pin bowling alleys, yesterday reported the company's purchase of a floor of the city's new stock exchange building in a first step towards extending the business into financial services, writes James Harding in Shanghai.

Shanghai Zhonglu, Mr Chen's bowling equipment company, has agreed to take one of the top floors of the Shanghai Stock Exchange Building (pictured above) for Yn30m ($3.62m). The company said the deal made Zhonglu China's first privately-owned enterprise to move into the building.

Mr Chen, chairman and general manager of Zhonglu, believes China's financial services industry will open up sooner or later, and "when the door opens, you have to be there to grasp the opportunity". Mr Chen made much of the capital he originally invested in the Zhonglu factories from stock market investments in the early 1990s.

Shanghai Zhonglu is already considering mergers or acquisitions to move into the finance industry and, in the meantime, the offices in the Shanghai Stock Exchange building are intended to cement the company's corporate image.

# Cathay Pacific shares climb 7%

By Louise Lucas

Shares in Cathay Pacific, Hong Kong's troubled flag carrier, yesterday jumped 50 cents or 7.2 per cent to HK$7.45, fuelling speculation of an ownership restructuring.

The company underwent a big reorganisation two years ago, when Chinese companies bought large stakes but left the UK-controlled Swire group as the main shareholder.

The restructuring followed moves by CNAC, the commercial arm of China's aviation regulator, to set up an airline in Hong Kong.

Brokers said yesterday that speculation focused on CNAC buying shares from Citic Pacific, the Hong Kong-listed arm of Beijing's main investment vehicle. China Travel Services (Holdings), a mainland-backed conglomerate, was also named as a possible seller.

China Travel has already cut its holding from 4.2 per cent to less than 0.4 per cent. The shares were mainly sold last July and August.

Cathay Pacific's own share price has languished since then. The slowdown in Asian economies, the currency crisis and the dearth of tourism in Hong Kong have hit the airline, and many analysts expect it to report a loss this year.

Some analysts questioned why Citic Pacific would choose to sell now, when it could hive off other assets to raise cash.

Similar questions hang over CNAC's ability to fund such a purchase.

Jim Eckes, managing director of Indoswiss Aviation, the Hong Kong-based consultancy, said Citic Pacific had been relatively active on Cathay Pacific's board – it helped Cathay obtain flying rights over China – and the two companies appeared to have strong links. Other analysts believe CNAC, with its aviation focus, could prove a stronger partner for Cathay Pacific.

# San Miguel ruling may lead to revamp

By Justin Marozzi in Manila

The Philippine anti-graft court yesterday ruled that Eduardo Cojuangco, the businessman, is entitled to vote sequestered shares in San Miguel, the food and beverage group, in a move that may lead to a restructuring of senior management.

San Miguel has been party to a share ownership dispute since 1986, when the Cory Aquino administration sequestered about 48 per cent of the group, arguing Mr Cojuangco and his business interests had acquired the stake with ill-gotten wealth.

Since then, Mr Cojuangco has been unable to vote his shares, which have been voted instead by the government's Presidential Commission on Good Government.

The ruling comes just a day before the annual stockholders' meeting and entitles Mr Cojuangco to vote 20 per cent of shares, which represents three seats on the board of 15.

Francis Garchitorena, presiding justice of the Sandiganbayan court, said the ruling revolved around shareholders' rights at shareholders' meetings.

"The exercise of these rights are presumptively in favour of the registered stockholders which fail irretrievably every time a stockholders' meeting takes place and these rights are not exercised," the court said.

Shares in San Miguel have been advancing in the past week on rumours that the days of existing management under Andres Soriano, chairman, are numbered.

The B shares closed unchanged yesterday at 67.5 pesos.

Magtanggol Gunigundo, chairman of the PCGG, denied there were any such plans to change management. Given the ownership and voting structure, unseating Mr Soriano would require the government's assistance.

"Andres Soriano is a disappointment as chairman but I would be very surprised if he were unseated at the stockholders' meeting," said John Mangun, director of portfolio management at I B Gimenez Securities, a local brokerage.

Analysts believe Mr Soriano is unlikely to last the year as chairman if, as widely believed, a takeover is launched after national elections on May 11.

Some analysts believe the court's more conciliatory approach to Mr Cojuangco is part of a deal whereby he would drop the long-running legal case and pave the way for the takeover of the group in return for control of a portion of the 48 per cent stake.

Yesterday's ruling may yet be successfully challenged. Mr Gunigundo said he was studying legal options but regretted the lack of time available.

## NEWS DIGEST

**CHINA**

### Beijing Enterprises beats forecasts with HK$811m

Beijing Enterprises, the investment arm of the Chinese capital's municipal government, comfortably beat market expectations in its maiden set of results, posting combined profits of HK$811m (US$105m), compared with analysts' forecasts of up to HK$800m.

Profits were lifted by HK$385m of exceptional items, most of which came from interest earned on listing proceeds. Beijing Enterprises listed at the peak of the red-chip frenzy in May last year, when investors were clamouring for mainland-backed Hong Kong companies. It saw the public tranche of its HK$2.6bn initial public offering 1,275 times subscribed. The offering tied up some HK$238.8bn, or the equivalent of almost half the territory's foreign reserves.

The company's combined operating profit for the year was 21 per cent higher than the group forecast made at the time of its listing, at HK$426m.

Beijing Enterprises' brewery interest, Yanjing Brewery, was listed on the Shenzhen stock market in July and its holding subsequently diluted from 80 per cent to 54.3 per cent. Its profit after tax on a pro forma basis amounted to HK$150m. The company said half of its pro forma net profit came from its McDonald's franchise in Beijing. The group is to pay a final dividend of 15 cents a share. **Louise Lucas, Hong Kong**

**HONG KONG**

### CCT Telecom in China buy

CCT Telecom Holdings, a Hong Kong-listed telecoms and financial services company, is to pay HK$172.7m (US$22.3m) for a 20 per cent stake in Jing Peng, a telecoms vehicle under Beijing's former Ministry of Electronics Industry and Guangzhou government. The ministry was recently subsumed into the Ministry of Information Industry.

The deal, which gives CCT indirect stakes in mobile networks and construction of a submarine fibre-optic cable in China, highlights the growing exposure of Hong Kong companies to the mainland telecoms sector despite a ban on foreign direct equity ownership.

The trend has already been noted by foreign investors eager to access the market. George Soros, the US financier, last week bought into Star Telecom International Holding, which through a subsidiary is involved in developing wireless cellular networks on the mainland in conjunction with the People's Liberation Army. Quantum Emerging Growth Partners, Mr Soros's flagship investment fund, bought a 5.75 per cent stake in Star Telecom for HK$119m from its controlling shareholder, China Strategic Holdings.

Beijing granted foreigners their first fully-fledged opportunity to access the mainland telecoms market last October, with the dual listing in Hong Kong and New York of China Telecom (Hong Kong). This company has mobile networks in two of China's wealthiest provinces, and is poised to acquire a third. **Louise Lucas**

**TAIWAN**

### President Enterprises tumbles

President Enterprises, Taiwan's biggest foods group and the owner of brands including Girl Scout Cookies and Famous Amos cookies in the US, yesterday posted a sharp fall in first-quarter profits due to falls in one-off income, a lacklustre performance in its core business and continued losses in China.

The company posted unaudited pre-tax profits of T$353.15m (US$10.7m) from January through March, down from T$1.37bn a year earlier. Sales climbed slightly to T$6.4bn from T$6.21bn during the same period.

Analysts said that results at President, with its diverse businesses, had been volatile in recent years and were difficult to predict due to disposals and other non-recurring income. In addition to its core food and drinks businesses, President has investments in insurance and retailing. It recently teamed with Starbucks, the US coffee chain, to open a projected 200-strong chain of stores in Taiwan. The group also has investments in securities and construction.

In China, President has incurred losses since it first invested there in the early 1990s, and the situation is unlikely to improve soon. **Laura Tyson, Taipei**

**CORRECTION**

### All Nippon Airways

In an article in the FT on April 16, the number of hours worked by pilots at All Nippon Airways was wrongly stated. The correct number is about 60 hours a month.

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## NEWS DIGEST

BANKING

### ABN Amro hunts for European acquisitions

ABN Amro, the Dutch bank, said yesterday it was still hoping to turn France into one of its home markets, in spite of the failure earlier this month of its bid for CIC, which went to French competitor Crédit Mutuel.

Jan Kalff, ABN Amro chairman, said the Dutch bank was still on the lookout for large acquisitions that would establish it as a leading group in other European markets, such as France and Belgium. He said a bid for Crédit Lyonnais of France was "not to be excluded", but he denied rumours that ABN Amro was holding talks with Générale Bank of Belgium, which is already negotiating a deal with Fortis, the Dutch-Belgian bancassurance group. "One should not disturb a brooding hen," said Mr Kalff. "These talks involve two Belgian parties and experience has taught us that it was very tricky to get a foot in the door."

In response to other rumours about a possible link-up with Aegon, the Dutch insurer, Mr Kalff confirmed that ABN Amro would be interested in buying insurance companies with activities in the US if the Glass-Steagall Act was abolished. The Depression-era legislation, which limits takeover and merger activity between different parts of the bancassurance industry, is being reviewed in light of the planned merger of Travelers and Citicorp. **Barbara Smit, Amsterdam**

RUSSIA

### Potanin critical of Rosneft sale

Vladimir Potanin, one of Russia's leading entrepreneurs, yesterday stepped up the pressure on the government to lower its $2.1bn starting price for Rosneft, the biggest Russian oil company yet to be privatised. Mr Potanin, whose group, in partnership with British Petroleum, is one of the strongest potential bidders in the forthcoming auction for Rosneft, yesterday criticised the government for setting a starting price higher than that suggested by its western financial adviser, Dresdner Kleinwort Benson.

"The price is of course pretty high and it is much higher than the evaluation given by the evaluator who was picked by tender," Mr Potanin said. "Now that the world oil market is living through hard times a premium on the price of the company is something that may or may not justify itself." Mr Potanin's comments were the softest of a hail of criticism the government has faced from Russia's economic barons, who have threatened to boycott the sale and warned that Rosneft may find itself without buyers unless the state lowers its price. His coments came as he announced a restructuring of his sprawling financial and industrial empire. Mr Potanin, currently the head of Oneximbank, is resigning his post. He will become the head of Interros, a holding company which will oversee the group's three main branches: financial holdings, which includes Oneximbank; industrial holdings, including Norilsk Nickel, a nickel producer and Sidanco, an oil company; and media holdings. Mr Potanin said the reorganisation was part of the group's efforts to make its operations more transparent and to restructure the diverse and inefficient Soviet-era companies it captured during Russia's privatisation drive. **Chrystia Freeland, Moscow**

FRANCE

### CGIP plans FFr1bn buy-back

Compagnie Générale d'Industrie et de Participations, the French industrial holding company, is planning to repurchase FFr1.1bn ($182m) worth of its own shares, equivalent to about 5 per cent of outstanding stock. The board is proposing a resolution to the annual general meeting on June 3 for the repurchase of 350,000 shares at FFr3,100 each, after payment of the 1997 dividend. This will be done through a public offer to be submitted to regulatory approval. The repurchased shares are to be cancelled.

The group, which is chaired by Ernest-Antoine Seillière, head of the Patronat, the French employers' federation, said the sum involved represented the capital gain it made when Crown Cork & Seal, the US packaging group, repurchased 5 per cent of its own stock from CGIP in March. It said the move would have no effect on investment strategy, but was expected to contribute towards the reduction of the stock's discount to net assets. **David Owen, Paris**

CZECH BANKING

### IPB in Kc11bn loss

Investicni A Postovni Banka (IPB), the Czech Republic's largest bank by share capital, has reported an audited loss of Kc11bn ($327m) after increasing reserves by Kc14bn. IPB, in which Nomura, the Japanese investment bank, has a 71 per cent stake, increased profit before reserves 28 per cent to Kc4.9bn and forecast it would make Kc2bn net income this year after devoting another Kc4bn to reserves.

Under Nomura, IPB has begun to tackle its loan portfolio. Classified loans – for which interest is more than one month overdue – represent 21.75 per cent of its portfolio. The state of this portfolio delayed the sale of the government's 36 per cent stake to Nomura last month. **Robert Anderson, Prague**

HUNGARY

### EBRD sells stake in MKB

The European Bank for Reconstruction and Development has sold its 17.6 per cent stake in the Hungarian Foreign Trade Bank (MKB) to Austria's Bank für Arbeit und Wirtschaft for an undisclosed sum. Four years ago the EBRD, along with Bayerische Landesbank of Germany, bought a stake in MKB in a pioneering privatisation deal in the Hungarian banking sector. **Kester Eddy, Budapest**

OIL AND GAS

### OMV lifts target for ROCE

OMV, the Austrian oil and gas group, has raised its target for return on capital employed from 10 per cent to 13 per cent, and said its heavy restructuring charges are over. Since 1992, Austria's biggest industrial group has cut its workforce by more than one-third to less than 8,000, and increased its return on capital employed from zero to 8 per cent. Last year, it doubled earnings before interest and tax to Sch5.76bn ($453m), primarily as a result of a Sch2.24bn jump in the profits of its refining and marketing operation. However a Sch5.28bn extraordinary charge reduced the growth in net income to 15 per cent. **William Hall, Zurich**

**AIRCRAFT** UK MANUFACTURER NAMED AS POSSIBLE MINORITY SHAREHOLDER FOLLOWING SWEDISH GROUP'S FLOTATION

# Saab plans may strengthen ties with BAe

By Tim Burt in Stockholm

Saab, the Swedish military aircraft manufacturer, yesterday said it planned to participate in the restructuring of the European defence industry, prompting renewed suggestions that it might strengthen its ties with British Aerospace.

BAe, which has an export joint venture with Saab, has been named as a possible minority shareholder in the Swedish aerospace group, which is coming to the market this year.

Saab, a wholly-owned subsidiary of Investor, the main investment vehicle of Sweden's Wallenberg business empire, is expected today to disclose details of its forthcoming stockmarket flotation and the likely distribution of shares.

Institutional shareholders in Investor will be briefed at a meeting in Stockholm this morning on the group's listing particulars and the potential restructuring of the defence industry.

Yesterday, Saab confirmed it was in close contact with BAe, although the discussions were largely confined to the export prospects for its Gripen fighter, which the UK group markets overseas.

Investor was said to be in talks with BAe regarding a "closer financial arrangement" following the flotation.

The investment group, which yesterday reported sharply improved operating profits for Saab, plans to distribute up to 50 per cent of the aerospace subsidiary to its own shareholders as part of the listing.

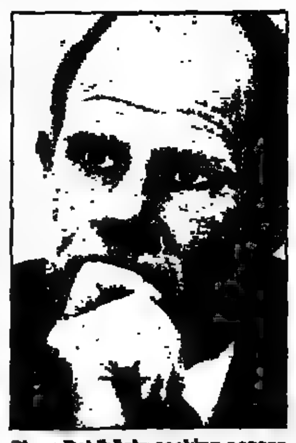
It is understood that BAe may acquire part of Investor's remaining stake in Saab at a later date. The Swedish group, however, would remain the single largest shareholder.

Investor yesterday declined to comment directly on its talks with BAe.

"A broadening of the ownership in Saab would give it direct access to capital markets and a visible market valuation," said Claes Dahlbäck, chief executive. "Furthermore, a broadening of the ownership increases Saab's opportunities to participate actively in any future restructuring of the international aerospace and defence industry."

He was speaking after Saab announced operating profits of SKr281m ($21.5m) in the first quarter, up from SKr37m last time, on increased sales from SKr1.59bn to SKr1.82bn. The order backlog rose from SKr19.8bn to SKr26.3bn, of which military orders represented SKr22.4bn.

Investor announced pretax profits up from SKr114m to SKr611m as the value of its main investment holdings rose 17 per cent to SKr97.6bn.



Claes Dahlbäck: seeking access

# UK regulator concerned over PW-Coopers

By Jim Kelly, Accountancy Correspondent

The UK's most powerful financial regulator still has concerns over the proposed $13bn merger of accountancy firms Price Waterhouse and Coopers & Lybrand – in spite of the fact that the deal has been cleared by European Union competition authorities.

The Financial Services Authority believes that when faced with crises such as the 1995 collapse of Barings, the investment bank, the merger could cut choice and reduce its ability to regulate sectors such as banking and insurance.

The FSA's views are likely to be voiced by the Office of Fair Trading when it represents the UK in Brussels on Friday at a meeting of the advisory committee – a group of EU member state regulators which advises on merger decisions.

It is understood that the EU Merger Task Force's draft decision, allowing the merger, will be debated.

If the committee raises significant concerns, backed by a majority vote, the European Commission will be obliged to take them into account.

The parties could be asked to allay the FSA's fears before the commissioners vote on whether to endorse the task force's decision.

In theory, the Commission could reopen the merger clearance procedure, but this is very unlikely.

While it is thought that both the OFT and the UK government have some sympathy for the FSA's concerns, none of the bodies are seeking to derail the merger. Instead, the FSA wants a wider debate about the issue of lack of choice.

The authority is worried that when it needs big accountancy firms – such as after a big corporate failure – its choice is reduced by conflicts of interest among the leading audit firms making up what would be a "Big Five".

The two merging firms argue that they are pooling resources in order to provide exactly the kind of service the FSA demands.

The FSA, led by Howard Davies, expressed its fears last year when the EU was considering two mergers involving four of the Big Six. Most of the concerns outside the UK disappeared when the proposed merger of KPMG and Ernst & Young collapsed.

The UK regulator is concerned that its specific worries – which are peculiar in some ways to the UK – may have been overlooked by the other members of the EU.

# De Beers Consolidated Mines Limited

(Incorporated in the Republic of South Africa) Registration No. 11/00007/06

## NOTICE TO MEMBERS

*Notice is hereby given that the one hundred and tenth annual general meeting of members of De Beers Consolidated Mines Limited will be held at* the Head Office of the Company at 36 Stockdale Street, Kimberley on Friday, 22 May 1998, at 14:15, for the following business:

1. To receive and consider the annual financial statements of the Company and of the group for the year ended 31 December 1997.

2. *To elect directors in accordance with the provisions of the articles of association of the Company.*

3. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

*"That the De Beers Consolidated Mines Limited Incentive Scheme, a copy of which has been tabled at the meeting and initialed by the Chairman for purposes of identification, be and it is hereby approved and adopted by the Company."*

4. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

*"That, subject to the passing of ordinary resolution No. 3, any two directors of the Company be and are hereby authorised to sign all such documents and do all such things as may be necessary for and incidental to the implementation of the said ordinary resolution No. 3."*

5. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

*"That, subject to the passing of ordinary resolution No. 3, 6 000 000 of the unissued deferred shares of five cents each in the capital of the Company be and are hereby placed under the control of the directors of the Company who are specifically authorised in terms of Section 221(2) of the Companies Act 1973, as amended, to allot and issue such shares to the De Beers Incentive Trust and/or its nominee/s in accordance with the terms and conditions of the De Beers Consolidated Mines Limited Incentive Scheme."*

6. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

*"That, subject to the provisions of the Companies Act, 1973, as amended, and the Listings Requirements of the Johannesburg Stock Exchange, the directors be and are hereby authorised to allot and issue all or any portion of the remaining authorised but unissued deferred shares of five cents each in the capital of the Company at such time or times, to such person or persons, company or companies, and upon such terms and conditions, as they may determine."*

7. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

*"That in terms of the Listings Requirements of The Johannesburg Stock Exchange, the directors are hereby authorised to issue reserve deferred shares of five cents each for cash, without restrictions as to whom the shares will be issued, as and when suitable opportunities arise, subject to the following conditions:*

*(a) that this authority shall not exceed beyond 15 months from the date of this annual general meeting;*

*(b) that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one year, five per cent or more of the number of deferred shares in issue prior to the issue/s;*

*(c) that issues in the aggregate in any one year will not exceed 10 per cent of the number of shares of the Company's issued deferred share capital, provided further that such issues shall not in aggregate in any three-year period exceed 15 per cent of the Company's issued deferred share capital; and*

*(d) that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10 per cent of the average closing price of the shares in question, adjusted for any dividends declared but not yet paid or for any capitalisation award made to shareholders, as determined over the 30 days prior to either the date of the paid press announcement or, where no announcement is required and none has been made, the date of issue of the deferred shares."*

*As more than 35 per cent of the Company's issued deferred share capital is in the hands of the public, as defined by The Johannesburg Stock* Exchange, the approval of a 75 per cent majority of the votes cast by members present or represented by proxy at the meeting is required for this ordinary resolution to become effective.

Holders of linked deferred share warrants to bearer who desire to attend in person or by proxy or to vote at any general meeting of the Company must comply with the regulations of the Company under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

*By order of the board*

R.W. KETLEY *Secretary*

Registered and Head Office: 36 Stockdale Street, Kimberley. (P.O. Box 616, Kimberley, 8300) South Africa — 21 April 1998

# Centenary Depositary AG

(Incorporated under the laws of Switzerland) ("the Depositary")

## NOTICE OF ANNUAL GENERAL MEETING OF DE BEERS CENTENARY AG

*Holders of Centenary depositary receipts are hereby notified that De Beers Centenary AG ("the Company") has given notice to its shareholders* convening its eighth Annual General Meeting which will be held at the Grand Hotel National, Luzerne, Switzerland on Tuesday, 12 May 1998 at 12:15.

AGENDA AND MOTIONS

1. *To receive the reports of the Auditors and Group Auditors for the financial year ended 31 December 1997.*

2. To receive and adopt the Report of the Directors, the annual financial statements of the Company and of the group as at and for the year ended 31 December 1997.

The following motion will be proposed as Resolution No.1:

*"That the Report of the Directors for the year ended 31 December 1997, together with the annual financial statements of the Company and of the group as at and for the year ended 31 December 1997 respectively, be and they are hereby approved and adopted."*

3. To approve the appropriation of retained earnings as recommended in the Report of the Directors and to declare a dividend of SFr 8.- per share (equal to 8 centimes per Centenary depositary receipt).

The following motion will be proposed as Resolution No. 2:

*"That the appropriation of retained earnings as recommended in the Report of the Directors be accepted and approved, including the declaration of a dividend of SFr 8.- per share (equal to 8 centimes per Centenary depositary receipt) payable on 27 May 1998 to shareholders registered as such in the Company's register of shareholders on Friday, 27 March 1998."*

4. To ratify and confirm the actions of all persons who held office as members of the Board of Directors.

*The following motion will be proposed as Resolution No. 3:*

*"That the actions of all persons who held office as members of the Board of Directors of the Company during the year ended 31 December 1997 be and they are hereby ratified and confirmed."*

5. To elect additional directors and to re-elect those directors of the Company retiring in accordance with the Articles of Association and regulations passed pursuant thereto.

The following motion will be proposed as Resolution No. 4:

*"That Mr. G. P. L. Kell be elected and Messrs G. F. H. Burne, N. F. Oppenheimer, J. P. Pudney, G. M. Ralfe and Sir Chippendale Keswick be re-elected as members of the Board of Directors of the Company for a period of four years, until the conclusion of the annual general meeting to be held in 2002."*

6. To re-elect Deloitte Pim Goldby GmbH as the Auditors and Group Auditors of the Company.

*The following motion will be proposed as Resolution No. 5:*

*"That Deloitte Pim Goldby GmbH be and are hereby re-elected as the Auditors and Group Auditors of the Company for a period of one year, until the conclusion of the annual general meeting to be held in 1999."*

*The Report of the Directors,* (including the proposal of the directors relating to the appropriation of retained earnings and declaration of a dividend), the annual financial statements of the Company and of the group and the Auditors' and Group Auditors' reports will be posted to registered Centenary depositary receipt holders together with this Notice and will also be available to depositary receipt holders at the Head Office of the Company and at the offices of the Transfer Secretaries Registrar of the Depositary listed below.

**PROXIES**

Each Centenary depositary receipt holder is entitled to attend and to speak at the annual general meeting either in person or be represented by a duly authorised representative or proxy whose authority must be established to the satisfaction of the Depositary. Receipt holders wishing to attend the meeting by proxy may complete a form of proxy and proxy forms must be lodged with the transfer secretaries or registrar by no later than 12:15 on Friday, 8 May 1998.

Proxies for deposited shares as contemplated in article 689d of the Swiss Code of Obligations are hereby requested to notify the Depositary by no later than 12:15 on Friday, 8 May 1998 of the amount (and kind) of Centenary depositary receipts they represent. Proxies for deposited shares are deemed to be those institutions which are subject to the Swiss Federal Act on Banks and Savings Banks of 8 November 1934 as well as professional asset managers.

**VOTING INSTRUCTIONS**

Each depositary receipt holder is entitled to one vote in respect of each Centenary depositary receipt held. The votes attaching to the Centenary depositary receipts are not votes in respect of shares in De Beers Centenary AG but are instructions to the Depositary as to how it is required to *exercise the votes in respect of De Beers Centenary AG shares deposited with it and represented by the Centenary depositary receipts.*

Voting instructions must either be:

(a) deposited with or received by the Depositary at the Depositary's registered office or at the offices of the Transfer Secretaries or Registrar no later than 12:15 on Friday, 8 May 1998; or

(b) delivered in person by the depositary receipt holder or his/her duly authorised representative or proxy to the Depositary at the meeting.

Holders of Centenary depositary receipts in registered form wishing to attend the meeting may be required to produce their Centenary depositary receipt certificates or safe custody receipt issued by an approved bank at the meeting and to establish their identity to the satisfaction of the Depositary.

Holders of bearer Centenary depositary receipts who desire to attend the annual general meeting or who wish to exercise their voting rights must comply with the conditions presently in force relating to the issue of bearer Centenary depositary receipts.

The register of receipt holders and the transfer registers will be closed from Tuesday, 5 May 1998 to Tuesday, 12 May 1998, both days inclusive.

CENTENARY DEPOSITARY AG, *The Board of Directors*

Registered and Head Office: Langensandstrasse 27, CH-6000 Lucern 14, Switzerland — 21 April 1998

**Under the conditions of issue of linked deferred share warrants to bearer and bearer Centenary depositary receipts referred to in the above notices holders thereof who desire to attend the Annual General Meetings, in person or by proxy, will require a certificate of lodgement which must be issued by the Depositary and/or De Beers Consolidated Mines Limited or by one of their agents, by no later than Wednesday, 6 May 1998 in the case of the De Beers Centenary AG meeting and Monday, 18 May 1998 in the case of the De Beers Consolidated Mines Limited meeting. Details of the procedure to be followed to obtain a certificate of lodgement, as well as copies of the said conditions and the necessary forms, may be obtained from the Depositary or De Beers Consolidated Mines Limited or their Transfer Secretaries or any of their Agents listed below.**

*South African Transfer Secretaries:*
Consolidated Share Registrars Limited
First Floor, Edura
41 Fox Street
Johannesburg 2001, South Africa
(PO Box 61051, Marshalltown 2107)

*United Kingdom Registrar:*
Computershare Services PLC
PO Box 82
Caxton House, Redcliffe Way
Bristol BS99 7NH

*London Secretaries/Agent:*
Anglo American Corporation of South Africa Limited
19 Charterhouse Street
London EC1N 6QP

*Agents for De Beers and the Depositary:*

Computershare Services PLC
First Floor
5-10 Great Tower Street
London EC3R 5ER

Banque Bruxelles Lambert SA
24 avenue Marnix
B-1000 Brussels
Belgium

Swiss Bank Corporation
Paradeplatz 6
CH-8010 Zurich
Switzerland

Union Bank of Switzerland
Bahnhofstrasse 45
CH-8021 Zurich
Switzerland

Barclays Bank PLC
45 Boulevard Haussmann
F-75315
PARIS CEDEX 09, France

Générale de Banque
3 Montagne du Parc
B-1000 Brussels
Belgium

Crédit Suisse
Paradeplatz 8
CH-8021 Zurich
Switzerland

Banque Internationale à Luxembourg
Immeuble L'Indépendance
69 Route d'Esch
L-2953 Luxembourg-Ville

**The 1997 annual reports and accounts are being posted today and holders of linked units in bearer form may obtain copies from the London Secretaries/Agent.**

# Deutsche Bank

**Aktiengesellschaft**

(Incorporated in the Federal Republic of Germany with limited liability)

**Frankfurt am Main**

For the ordinary Shareholders' Meeting on Wednesday, May 20, 1998 in Frankfurt am Main (publication in the Federal Gazette No. 68 of April 8, 1998, page 5422), the Dachverband der Kritischen Aktionärinnen und Aktionäre e.V., Cologne, as the authorized representative of the heirs of Mr. Erich Nold, Darmstadt, pursuant to §§ 122 (2) and 124 (1) Joint Stock Corporation Act, has demanded the official announcement of further items for resolution by the General Meeting.

The agenda will therefore be extended by item 12, in which an amendment to the Articles of Association is proposed:

12. Introduction of a minute's silence at the beginning of each Shareholders' Meeting (addition to the Articles of Association).

*We recommend that this proposal be rejected.*

**Frankfurt am Main, April 1998**
**The Board of Managing Directors**

## COMPANIES & FINANCE: EUROPE

**SPAIN** NEW BENCHMARK SET FOR EQUITY DISTRIBUTION TO SMALL SAVERS

# Tabacalera retail offer lifted

**By Tom Burns in Madrid**

Strong domestic demand for shares in Tabacalera, the Spanish tobacco group, has prompted the government to lift the retail tranche from 63.3 per cent to 70 per cent, setting a new benchmark for equity distribution to small savers in the country's privatisation programme.

The Pta342bn ($2.23bn) sale of the government's 52.3 per cent stake in Tabacalera, which will be completed next week, has underlined the strong appetite for stock market investment among domestic households.

It will allow the tobacco group to widen its shareholder base from 14,000 to more than 500,000, well above forecasts at the start of its privatisation process.

Seppa, the government agency which owns the group's stock, said there had been more than 700,000 individual applications for shares in the first week of Tabacalera's offer period, representing more than 13.6 times the volume of the disposal reserved for the retail tranche. Officials said shares would be re-allocated from the foreign and domestic institutional tranches.

Institutions would be compensated from the 9.2 per cent greenshoe, or over-allotment, tranche.

The proportion of stock allocated to retail investors is above the 63 per cent yardstick set in the Pta350bn February sale of Seppa's remaining 29 per cent stake in Argentaria, the banking group, and has revealed the depth of the domestic equity market after a sustained bull run that started more than a year ago.

Unlike the Argentaria disposal, the Tabacalera offer has had to compete with calls on domestic capital from Banco Central Hispano and Telefónica, the telecoms group, which between them raised Pta595.8bn through rights issues.

The buoyant retail demand for Tabacalera now sets the stage for a similar wide distribution of shares when Endesa, the power group and the last of the blue chip stocks controlled by the government, is privatised in an offer scheduled for late next month.

The sale of the remaining 33 per cent of Endesa owned by the state is likely to raise Pta1,366bn and will set a new record for a market privatisation in Spain.

Tabacalera's share price, which underwent a correction last week, rose more than 3 per cent by mid morning but eased to close Pta60 higher at Pta3,840. The co-ordinators of the sale, Merrill Lynch, the US bank, and the domestic institutions Argentaria, Banco Bilbao Vizcaya and Banco Central Hispano, were due last night to set a maximum issue price of Pta3,923, representing the highest weighted daily trading price of Tabacalera shares last week.

● Repsol, the Spanish gas and petroleum group, beat forecasts by lifting first-quarter net profit 23.3 per cent to Pta38.3bn ($250m), compared with the first three months of 1997, as strong gains from its diversified business units offset declining crude oil income.

Operating income from its gas and electricity division more than doubled to Pta23.2bn due to the incorporation of Astra, the Argentine subsidiary, and to the end of a price freeze on butane gas introduced by the government last year.

Earnings from refining and marketing rose 39 per cent to Pta31.8bn and improved margins accounted for a 35 per cent increase to Pta9.8bn in the chemical division's operating profit.

# Bologna chief's business-like approach

Italian club's prospectus will aim at investors rather than fans, writes **Patrick Harverson**

Praying for a market success: Bologna's Roberto Baggio puts his weight behind the club's cause AP

Giuseppe Gazzoni, president of Bologna football club, is a new breed of owner in Italian football.

He has not promised to bring honour and glory to the club, its fans and a proud city by acquiring the best players at whatever cost to win the league championship at whatever price.

Instead, Mr Gazzoni has made a more earth-bound pledge: to run the club as a profitable business, capable of surviving the rigours of the elite Serie A division while also paying a regular dividend to its owners.

He will husband the clubs' limited resources carefully. A strict three-year budget for spending on transfers has been set and will not be broken. The safety of a mid-table position at season's end is the main aim, and any success gleaned from the Coppa Italia or from qualification for the UEFA Cup will be a nice bonus.

It is not a manifesto to set the pulses of the Bologna "ultras" racing, but then the message is not really aimed at the club's dedicated fans. Mr Gazzoni is about to float Bologna FC on the Italian stock market, and he has some shares to sell to institutional investors in London and Milan who might be wary about pouring money down the deep drain that has traditionally been Italian football.

Which is why the 60-year old, local-born millionaire – who with his partners acquired the club from the bankruptcy court in 1993 for just L8.5bn ($4.8m) and have since invested about L50bn – is determined to do things differently at Bologna.

"The era of patrons, and the club as a toy of the president, is over," he says. "You cannot run a club as a non-profit making venture." His words are intended to reassure potential investors that the club will not blow their money on a futile attempt to compete for the championship with the likes of Juventus, AC Milan or Internazionale, with their millions of supporters, massive wage bills and wealthy backers.

What it lacks in size and status, the club intends to make up with proper business management. Of the money raised from the flotation this spring – the pathfinder prospectus is due out in early May – about L10bn will be used to redevelop the club's home, Stadio Renato Dall'Ara.

Bologna's stadium is owned by the local council, but the club has just struck a 30-year contract to run the stadium in return for an annual rent of L178.6m. This will allow the club to convert the stadium into a money-making asset in its own right: merchandise shops, a restaurant and other facilities will be installed under its elegant 1920s arches, while 34 hospitality boxes will be built under the new roof. The club also hopes the new-look stadium will host non-football events.

Mr Gazzoni predicts that other sources of revenue, particularly from television – a new deal for Italian football is due next year which could give clubs more control over the broadcasting rights to their own games – will also grow quickly.

At the same time, a youth system developed around a new football academy, combined with the use of relatively low-salaried players in the first-team squad, will keep down transfer and wage costs.

According to the club's projections, annual revenues will grow from about L50bn this year to L85bn in 1998-99. And after racking up cumulative losses of L54bn in the last four years – mostly due to spending on the players that won the club promotion in consecutive seasons – Mr Gazzoni says Bologna will break-even this year and could be profitable soon after.

That would be quite an achievement for any Italian club, but is the promise of operating a medium-sized, tidily profitable, moderately ambitious football club enough to entice institutions to buy the shares?

Judging by recent events in London, where football shares are in a prolonged slump, UK institutions may prefer to stick with only the biggest of the sport's brands, although institutional and retail investors in Italy may be more enthusiastic.

Ultimately, the fate of Bologna's flotation may come down to price. The biggest lesson the Italians can learn from the British experience is not to over-price the clubs on flotation.

The other Italian club floating on the stock market this spring, the Rome-based Lazio, is expected to be valued at more than twice its annual earnings of about L127bn. Bologna's advisers are preparing to price the club at well under twice this year's projected revenues of L50bn.

For the club's fans, issues of flotations, equity pricing, and merchandising plans are not what matters, and here Mr Gazzoni has a few words of comfort: "We may not be able to compete financially with them, but the top six clubs do make mistakes. Money isn't everything in football."

And to prove him right, this Sunday Bologna played mighty Milan – whose team included such well-known (and expensive) stars as George Weah, Patrick Kluivert and Paolo Maldini – and won comfortably 3-0. Notch that one up to Italian football's new breed of owners.

# OM ahead on record turnover

**By Tim Burt in Stockholm**

OM Gruppen, the publicly-quoted operator of the Swedish stock and derivatives exchanges, yesterday reported sharply increased first-quarter profits following record turnover in equity trading.

The company, which merged this year with the Stockholm bourse, said average daily turnover in Swedish equities had risen from SKr5.3bn to SKr7.8bn ($940m) in the first three months of the year.

That helped lift pre-tax profits from SKr82m to SKr131m on turnover of SKr393m, up from SKr210m last time.

In spite of the strong volume increase, OM has argued that the attraction of equity trading in the region has been undermined by fragmentation among Scandinavian exchanges.

OM, which also operates the OMLX securities and derivatives exchange in London, said yesterday it would press ahead with an equity trading alliance between the Stockholm and Copenhagen stock exchanges.

The Helsinki and Oslo bourses have been approached informally about joining the alliance. "We need to discuss the advantages of a common clearing and distribution platform in the Nordic region," said Per Larsson, OM chief executive.

In the first quarter of this year, operating profits at OM jumped from SKr67m last time to SKr95m – partly due to strong trading volumes in options and futures.

That offset a disappointing performance in derivatives, where daily turnover in equity and interest rate-related contracts fell 24 per cent to 155,367.

"The reduced activity is due partly to the stabilisation of interest rate levels and the restructuring in the Swedish fixed income market," Mr Larsson said.

Earnings per share rose from SKr0.96 to SKr1.04.

Announcing the figures yesterday, Mr Larsson said OM had been reorganised into three divisions: Stockholm exchanges, representing equity and derivatives trading; distribution, clearing and settlements; and OM technology.

# Orange group wins Swiss bid

**By William Hall in Zurich**

Orange, the fast-growing UK mobile phone operator, has beaten international competitors including British Telecommunications, Deutsche Telekom and France Telecom to win one of two new mobile telephone licences in Switzerland.

Orange, which is in a consortium with Germany's Viag, Swissphone Engineering and the Cantonal Bank of Vaud, has been awarded a licence to operate a network in the 1800MHz frequency band.

DiAx, a consortium of Swiss utilities and SBC, the US telecoms group, has also won a licence to operate a dual-band network using the same frequencies as Swisscom, the state-owned carrier which until now has had a monopoly in mobile services.

Switzerland, which opened up its telecoms market this year, is the new battleground for international operators. Sunrise, a Swiss consortium in which British Telecom and Tele Danmark have stakes, and DiAx are both building fixed-line networks to compete with Swisscom, and were regarded as the frontrunners among the six bidders for the mobile licences.

Orange, by contrast, was seen as an outsider because it lacked a well-known Swiss partner and did not have the business and political connections of some of the competitors.

Switzerland is unusual in that it is not charging an annual fee and awarded the licences on merit rather than to the highest bidder.

DiAx was picked because it would enter the market quickly and offered the widest coverage; Orange won because it was considered to be "very experienced" in the network field and in marketing its services.

Orange's experience in the UK mobile phone market, where it was a late entrant but now has a 14 per cent share and one of the best recognised brand names, is understood to have counted heavily with the Swiss authorities.

The company has licences in Austria and Belgium and is bidding for one in Ireland.

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# British Biotech fires research director

By Jonathan Guthrie

British Biotech, the flagship company of the UK biotechnology company, yesterday dismissed Andrew Millar, director of clinical research, for allegedly disclosing confidential information to third parties.

He is believed to have discussed research and an internal debate on commercial strategy with Perpetual, which holds 8 per cent of its shares.

The company also confirmed that the US Securities and Exchange Commission was investigating the accuracy of press releases on the development of marimastat, a cancer drug, issued in 1995 and 1996.

British Biotech has dismissed Dr Millar at a critical time. It is attempting to prove the efficacy of two blockbuster drugs – Zacutex for acute pancreatitis and marimastat for cancer – through phase III clinical trials. Final results, on which the company's fortunes depend, are due next year.

British Biotech is unusual in seeking to market new drugs as well as discover and develop them. During internal policy discussions Dr Millar advocated a stronger role for partnership deals, in which big pharmaceutical companies help with distribution.

It is thought he discussed his views with Margaret Roddan and Neil Woodford, two senior fund managers at Perpetual, and drew their attention to £1.2m ($2m) in share sales by Keith McCullagh, chief executive, and Sir Brian Richards, former chairman. These were made shortly before the company announced it was dropping the batimastat cancer treatment in 1995.

British Biotech said it had commissioned an independent investigation by law firm Cameron McKenna into the reasons of Dr Millar for disclosing the policy debate. The company said the investigation proved that the share sales complied with stock exchange regulations.

Analysts said they were worried by the failure of British Biotech to give a full explanation of the circumstances surrounding Dr Millar's dismissal. Nick Woolf, a pharmaceuticals analyst at Bank America Robertson Stephens, the broker, said: "These are worrying times for British Biotech ... recent events have raised questions for shareholders over the position of Mr McCullagh."

Analysts said they were also concerned by the decision of British Biotech not to publish interim trial results for marimastat.

British Biotech shares fell 15 per cent to 50p in early trading, recovering to 56½p by the close.

The market capitalisation of British Biotech has plummeted from £1.9bn last year to £372m today.

# IBC earmarks £33m to expand publishing

By Susanna Voyle

IBC Group, the events and publishing company, yesterday said it had £33m ($55m) to spend on publishing acquisitions this year.

The group – which organises conference and exhibitions, publishes newsletters and magazines and runs training courses – said that if the right opportunity presented itself it could raise up to £50m.

Announcing a 19 per cent rise in 1997 pre-tax profits to £16.3m, ahead of market expectations, Peter Rigby, chief executive, said IBC was looking for small bolt-on acquisitions "into those market places where we already have strengths". The shares rose 16½p to 456p.

Mr Rigby wants to reduce IBC's dependence on events – currently more than 60 per cent of business – and build up the publishing side, a higher margin business. He would be happier with a 50/50 split and is looking for acquisitions with profits of between £100,000 and £300,000 a year.

Turnover rose 16 per cent to £139.6m - largely driven by a 79 per cent increase to £5.2m in the magazines division after seven acquisitions last year. In terms of markets, the biggest gain in turnover came from IT and telecommunications, up 67 per cent to £28.9m.

Jim Wilkinson, finance director, said the strength of sterling had cost £1.1m through translation.

Operating profit was £19.7m against £14.5m as operating margins rose from 11.4 per cent to 11.7 per cent.

Peter Rigby: looking to reduce dependence on events and build up publishing side   Brendan Corr

# Prudential to oppose GUS bid

By Peggy Hollinger

Great Universal Stores' £1.9bn ($3.2bn) hostile bid for Argos hung in the balance yesterday after a leading shareholder in the embattled high street catalogue retailer declared its support for the existing board.

Despite a meeting with GUS yesterday, Prudential Corporation said it intended to vote against the 650p a share cash offer, which closes on Friday. Prudential is Argos's second largest investor with almost 7 per cent of the company.

"As long-term investors we anticipate supporting the Argos board," Prudential said. "Argos has shown many years of satisfactory trading and the new management should be able to build on this foundation. In these circumstances, 650p is not enough." Another leading shareholder, which has also met the management teams of both Argos and GUS, echoed Prudential's sentiments yesterday.

"The issue confronting shareholders is very simple," it said. "Are you likely to do better out of Argos than you are out of equities generally over the next 12 months?" It said it was prepared to accept that the changes proposed by the Argos management team could "lead to a price performance that was better than the markets".

The comments might be enough to swing the outcome of a bid battle that most analysts have already written off in GUS's favour. However, the market has in the past proved exceedingly reluctant to reject cash bids in favour of incumbent management.

Other leading shareholders said they were likely to accept the offer. "I think it will be very close," said one. "But I think it is an offer we cannot refuse. The business will fare better under GUS and the Argos share price will fall if the offer is not accepted." He and other shareholders had not been convinced by the last minute revelations from Argos over the weekend of better than expected current trading. "Argos makes about 80 per cent of its profits in the second half," said another of Argos's top 10 shareholders. "It would be foolish to base any decision on current trading."

Both companies will have met most of the top 10 investors by the middle of the week. They control almost 50 per cent of Argos. One investor controlling about 2 per cent said they would inform the companies of their decision before the end of the week.

# Thomson Travel sets price range

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Thomson Travel Group, the UK's largest package holiday company, yesterday set a price range of 140p-170p for its flotation next month, valuing it between £1.4bn and £1.7bn ($2.8bn). It is the UK's largest flotation for almost a year.

The proceeds of the global offer will go to the Thomson Corporation, the Canadian-based publishing group which has been Thomson Travel's parent for more than 30 years.

No new money is being raised. The offer price, to be arrived at through a book-building exercise, will be announced on May 11.

The pathfinder prospectus showed pro-forma underlying pre-tax profits in the year to December 31 of £111.8m and earnings per share of 8.4p.

Analysts said the shares were being priced for a trouble-free sale.

On forecast pre-tax profits of £120m and earnings per share of 9.6p this year, the shares are at a 22 per cent discount to the market at the bottom of the range, and a 6 per cent discount at the top.

They are also at a discount of between 15 and 30 per cent to Airtours, the UK's second largest package holiday group.

Nigel Hicks, leisure analyst at CSFB, said: "It looks an excessive discount to the market at the bottom of the range." The holiday market was buoyant for summer 1998 and the outlook was favourable given the pound's strength, he said.

Paul Brett, chief executive, said summer bookings were running 17 per cent ahead of the same time last year and supply and demand of holidays appeared to be in balance.

However, the long-haul sector, one of the fastest-growing areas, is not expected to expand this year following adverse publicity.

## RESULTS

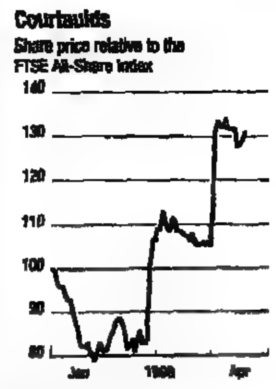
| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aalsterne Holdings | Yr to Dec 31 | 11.3 | (11.2) | 7.53 | (3.97♠) | 14.1† | (28.7) | 3 | June 12 | - | 5 | - |
| Boot (Henry) | Yr to Dec 31 | 182.2 | (182.1) | 10.1 | (9.39) | 27.1 | (25.1) | 6.2 | [illegible] | [illegible] | 8.5 | 8 |
| Britannia Group | Yr to Dec 31 | [illegible] | (39.8) | 0.796♠ | (1.21♠) | 3.2 | (4.4L) | 1 | June 1 | 0.5 | 1.4 | 0.5 |
| Harvey Nash | Yr to Jan 31¥ | 55.8 | (36.3) | 5.21♠ | (0.797♠) | 12.57† | (1.51) | 3.1 | May 27 | - | 4.65 | - |
| IBC | Yr to Dec 31 | [illegible] | (120.3) | 16.3 | (13.7) | 30.6 | (27.8) | 6.6 | [illegible] | 6 | 10.5 | 9.3 |
| Mice | Yr to Dec 31 | 28.3 | (20.5) | 1.7 | (1.23) | 0.68† | (0.47) | 0.14 | June 1 | 0.11 | 0.2 | 0.15 |
| PPL Therapeutics | Yr to Dec 31 | 1.14 | (2.5) | 10.2L | (6.2L) | 45L | (41L) | - | - | - | - | - |
| Shalibane ‡ | Yr to Dec 31 ☆ | 13.7 | (7.74) | 0.932 | (0.304) | 15.6† | (8.8) | [illegible] | July 14 | 1.05 | 4.5 | 4 |
| United Energy | Yr to Dec 31 | 5.51 | (5.38) | 0.828 | (0.790) | 2.1 | (2) | - | - | - | - | - |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡Irish stock. ¥Current and comparative results proforma. ☆Comparatives restated.

## COMMENT

### Courtaulds

Akzo has learned one important lesson since its acquisition of Nobel: it is unwise to base too much of the financial logic of a deal on hoped-for synergies that may then prove difficult to deliver. Hence Akzo's assertion yesterday that its £1.8bn acquisition of Courtaulds would be earnings enhancing before any such synergies. Viewed through the more demanding prism of returns on investment, the acquisition will just about match Akzo's cost of capital.



Source: Datastream/ICV

At 450p a share, Courtaulds is no steal. To get to a similar break-up value, Courtaulds' coatings division would need to be valued at a pricey 1.5 to 1.6 times sales. Courtaulds shareholders may have got as much if the company had pursued its demerger, and a heated auction had developed for coatings. But it is unlikely they will have got as much as 500p. This way, they crystallise value for certain.

The deal also stacks up for Akzo. It transforms it into the largest paints company in the world, gives it a base in Asia and limits the pain of getting out of fibres. But shareholders should demand to know why the company did not consider going hostile in January when Courtaulds' shares slid to 340p.

### British Biotech

Keith McCullagh, chief executive of British Biotech, faces a difficult decision. Should he brazen out the collapse in the company's share price and the bad odour left after a stream of bad news? Or should he resign? Certainly the Andrew Millar affair has done nothing to enhance his management reputation. Dr Millar was passed over for promotion, and the best way to deal with a potential malcontent is to pay him off and tie his tongue. Instead shareholders were allowed to draw the inference that the company may have something to hide.

The hiring of solicitors to do a quick review of his complaints suggests that brazening it out is the order of the day. But with important trial results still more than a year away, the company should beef up the independent element of its board and review whether Dr McCullagh should stay. So far what should at worst have been a news vacuum has been filled with negative events. Dr McCullagh will need to put up a stronger argument if he is to stay.

# PPL looks to aid underweight

By Jonathan Guthrie

PPL Therapeutics, the biotechnology company famous for cloning Dolly the sheep, said yesterday it was researching a treatment to help chronically underweight people gain weight.

The company aims to manufacture an enzyme – bile salt stimulating lipase (BSSL) – which will help the body absorb fat. Premature babies and sufferers from pancreatitis and cystic fibrosis are expected to benefit.

Dr Ron James, managing director of PPL, said: "We believe the value of treatments for this aspect of cystic fibrosis and pancreatitis is $500m a year worldwide. The market for treatments for pre-term babies could be bigger."

PPL was originally developing BSSL on contract for Astra, the Swedish pharmaceuticals company, although the deal was not disclosed until yesterday. Under a new agreement, PPL will take on development costs and the rights to commercialise BSSL. Astra has an option to claw back control of the project at the end of phase II trials, in return for royalties to PPL on any sales.

PPL also announced progress towards breeding genetically-modified pigs with organs that can be transplanted into humans with a low risk of rejection. PPL reported increased losses of £10.2m (£6.2m) last year.

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## LEGAL NOTICES

No. 00414 of 1998

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CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF ARCADIAN INTERNATIONAL PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of the High Court of Justice, Chancery Division dated 30th March 1998 confirming the reduction of share capital of the above named Company from £56,250,000 to £19,331,038.75 and the Minute approved by the Court showing with respect to the capital as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on the 6th day of April 1998.

Dated the 21st day of April 1998

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: KO
Solicitors to the Company

هكذا من الأصل

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Issue 14 - April 21 1998

The Russian Federal Property Fund (RFPF) announces the commercial bidding with investment conditions for sale 75% stake of total issued stock + 1 stock of Open Joint-Stock Company "Oil company Rosneft".

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Investment activities, including stock market operations with stocks added to a company's authorised capital during its formation as well, management the execution of the federal state orders and supply of regional consumers with materials produced both by the company and its subsidiaries, including the supply of oil, gas and petroleum products to the regions of the companies' activities;

Investment, scientific and technical, supply and sale, economic, external economic, and legal securing of the activity both by the company and its subsidiaries; market research, sociological and other studies;

Management of production, banking, investment, financial and other economic entities essential to carrying out company objectives and to ensuring its interests; engaging in advertising and publishing, holding exhibitions, expositions, auctions, etc.;

Agency, consulting, marketing, and other forms of activities, including foreign economic activities (including export and import operations), carrying out work and offering services by contract;

Social welfare and environmental protection activities in the regions where the company is active, charity, social protection of company's employees and as company property security.

**Listing of company main products**

Gasoline; motor gasoline A-76, A-92, and AI-93 leaded and unleaded
A-1 export gasoline; aviation gasoline (B-70)
diesel fuel - L-0, 2-40; L-0, 2-62 (for export); L-0, 5-62 (winter, arctic use)
aviation keroesene
burning kerosene
marine fuel
stove heating fuel
M-40 and M-100 low- and little-sulfurous and sulfurous furnace fuel oil
bunker fuel
vacuum gasoline
SPEBT-brand gas
butane
NG and NGZh liquid
motor oil
diesel oil
helicopter oil
special greases.

**Number of company employees as of Jan. 1** 62546

**Company real estate holding** Two hectares

**Characteristics of company real estate holdings**

Plot of land designated for farming and hunting located in the Koltsovo Lopatinsky woods in the Tarussky region of the Kaluga region, cadastral No. P-002.

**Proof of property ownership**

RF-II-KTr series No. 004983, registration number 9784 of May 17, 1996;

There are no limits to the use of the land. **Authorized capital**

90,179,359,000 (Ninety billion, one hundred and seventy nine million, three hundred and fifty nine thousand) rubles (at 1997 prices).

**Proof of state registration of stock issues**

Stock issue registered by a decree of the Federal Commission on the Securities Market of March. 19, 1998 No. 220-p:

Registered common stock - No. 1-01-00122A of March 19, 1998;
Registered preferred stock - No. 2-01-00122-A of March 19, 1998.

**List of joint-stock companies included in Rosneft with Rosneft's stack in their share capital**

| | |
|---|---|
| Rosneft-Dagneft | 38% |
| Rosneft-Krasnodarneftegaz | 38% |
| Rosneft-Purneftagaz | 38% |
| Rosneft-Sakhalinmorneftagaz | 38% |
| Rosneft-Stavropolneftagaz | 38% |
| Rosneft-Termneft | 38% |
| Komsomolksy Rafinery-Rosneft | 38% |
| Rosneft-Krasnodarnefteorgsintez | 38% |
| Rosneft-Tuapsinsky Refinery | 38% |
| MOPZ Nefteprodukt | 38% |
| Rosneft-Altainefteprodukt | 38% |
| ARTAG | 38% |
| Rosneft-Arkhangelsknefteprodukt | 38% |
| Kabbalknefteprodukt | 38% |
| Rosneft-Karachaevo-Cherkessknefteprodukt | 38% |
| Rosneft-Kemerovonefteprodukt | 38% |
| Rosneft-Kubannefteprodukt (former Krasnodarnefteprodukt) | 38% |
| Rosneft-Krasnodarskaya Neftebaza | 38% |
| Rosneft-Kurganneftеprodukt | 38% |
| Rosneft-Murmansknefteprodukt | 38% |
| Rosneft-Nakhodkanefteprodukt | 38% |
| Rosneft-Sever-Nefta-Servis | 38% |
| Rosneft-Smolensknefteprodukt | 38% |
| Stavropolnefteprodukt | 8.5% |
| Rosneft-Tuapsenefteprodukt | 38% |
| Rosneft-Yamalnefteprodukt | 38% |
| Arkhangelskgeologodobycha (former Arkhangelskgeologiya) | 25.5% |
| Kosneft-Neftegazsnab | 38% |
| Rosneft-Neftekomplekt | 38% |
| GIVTaneftegaz | 20.5% |
| Rosnefteimpeks Rosneft | 38% |
| ASUNefteprodukt Central Design Office | 38% |

**Register holder**

Closed JSC "Specialized Registrar "Reestr-Servis"

**Legal address**

12 Derbenevskaya, Moscow, Russia, 113114
Postal address: 15 Sadovnicheskaya, Moscow, Russia, 113035 Tel: 234-70-83.

**Debts owed by the company, including to the federal budget, budgets of Russian Federation subjects, local budgets, and state extra-budget funds, as of Oct. 1, 1997 (in 1997 prices);**

Budgets of all levels - 149,455 million rubles, including: the federal budget - 94994 million rubles; budgets of Russian Federation subjects - 54461 million rubles; extra-budget funds - 78643.7 million rubles, including: pension funds - 882 million rubles.

Thee is no limit to the resale of company shares.

There is no limit to the participation of non-Russian Federation residents or of Russian residents affiliated with foreign legal entities or private individuals.

The auction is to be held in accordance with the "Procedure for holding auctions of state-owned Rosneft stock," outlined by presidential decree No. 359-r of March 19, 1998 (the Procedure).

The auction is open, bids are taken in closed form.

The stake offered for the auction consists of 67634520 (sixty seven million, six hundred thirty four thousand, one thousand five hundred twenty) shares of common stock (75% of total number of common stock + 1 stock).

Par value - 1000 rubles (in 1997 prices).

Nominal price of stake - 67,634,520,000 (sixty seven billion, six hundred thirty four million, five hundred twenty thousand) rubles (at 1997 prices).

Initial price of stake is 12,795,300,000 (twelve billion, seven hundred ninety five million, three hundred thousand) rubles (in 1998 prices).

Means of payment - cash payment in Russian Federation currency (rubles).

The means of investment payments is set by the Procedure and by supplement No. 1 to the Procedure, and include the transfer of the prescribed investments and ensuring their targeted use while necessarily observing the terms o the Procedure, and the volumes and terms of paying investments.

The volume of investments to be paid by the buyer is set by the Procedure (supplement No. 1) and comes to 399,960,000 (three hundred ninety nine million, nine hundred and sixty thousand) US dollars.

Investments are to be paid without redemption or compensation according to the purchase of Rosneft shares agreement, as well as an agreement on the Procedure for fulfiling the auction's investment conditions and on using investments according to supplement No. 2 to the Procedure. The sum of investments in rubles is set according to the Russian Central Bank rate at the date of payment.

**Rosneft Balance Sheet as of Oct. 1, 1997, in thousands of rubles:**

| *Assets* | *Amount* |
|---|---|
| Long-term assets | 572,313,750 |
| Current assets | 1,362,601,128 |
| Losses | 16,877,505 |
| Balance | 1,951,792,383 |
| *Liabilities* | *Amount* |
| Capital reserves | 895,581,383 |
| Long-term liabilities | 46,434,000 |
| Short-term liabilities | 1,009,777,000 |
| Balance | 1,951,792,383 |

The documents to be presented for participation in the auction:

a) bid to participate in the auction with obligation to execute the terms of the auction set by the seller. The bid must include a list signed by the bidder of the documents provided (two copies), one of which will be returned to the bidder with the date and time (hour and minute) that the bid was submitted and the authorized by the signature as the seller;
b) a payment order with bank confirmation that the bidder, in accordance with supplement 15 of the Procedure, has deposited 200,000,000,000 (two billion) rubles (1998 price scale), to include: payment for Rosneft stock totalling 1,850,000,000 (one billion eight hundred fifty million) rubles (1998 price scale); assurance that th investment conditions are met, totalling 150,000,000 (one hundred and fifty million) rubles (1998 price scale) and in accordance with an agreement on the advance payment. The advance payment will be transferred to the seller's special account No. 40309810400000000008 in OPERU-1 of the Central Bank of Russia, BTK 044501002, INN 7704097841. The advance payment should be on the above-stated account non later than May 26, 1998.
c) a document expressing the consent of the Russian Federation State Anti-Monopoly Committee to the bidder's buying stake in Rosneft stock;
d) inquiry by the tax inspection service into the declaration of money sources used to pay the sum equal to the size of the stake's starting price in a form affirmed by the set order in accordance with government decree No. 206 of Feb. 28, 1996 entitled "On confirmation of the decree on the procedure for proclaiming money sources used by legal entities and private individuals when paying with transactions of privatising state and municipal property" (Russian Federation Legislation Code, 1995, No. 10, p. 907);
e) copies of the charter documents, authorized in the set form;
f) balance sheets for the previous three years of activity (if a legal entity has been in existence for less than three years - for the time of its existence);
g) written authorization of the management of the bidder permitting the buying of property, if it is necessary according to the bidder's constitutive documents and the legislature of the country in which the bidder is registered;
h) a document confirming the presence and size of a share of the Russian Federation government, of Russian Federation subjects, or of municipal formations in the bidder's authorised capital (or lack thereof).

The documents mentioned above must meet the requirements of legislature of the Russian Federation in force.

The bids and documents presented by the bidder are to be taken into account by the seller in a record of bids with the set time (hour and minute) and date of acceptance of each bid. Bids without the presentation of all documents outlined by the Procedure will not be accepted by the seller.

After the bid deadline has passed, the seller is not entitled to accept or return bids and documents, including in the case of a recall of the documents submitted by the bidder.

Participation in the auction if open to legal entities and private individuals who:

- are recognized buyers in accordance with statute nine of the federal law "On the privatization of state property and on the basis of privatization of municipal property in the Russian Federation";
- have submitted on time a bid and presented with it all documents outlined by the Procedure and drawn up in accordance with Russian Federation Legislation;
- have deposited money into the seller's account in accordance with an agreement concluded on the size and term of the advance payment as outlined by supplement 15 to the Procedure no later than May 26, 1998.

The bidder may be refused the right to participate in th auction in the following instances:

- the bidder can not be recognised as a buyer in accordance with Russian Federation legislation;
- the bid is submitted after the official deadline;
- the bidder has not presented on time all documents outlined in the Procedure, or the documents do not correspond with Russian Federation legislation
- the advance payment was not in the seller's account by the set time - no later than May 26, 1998 - as prescribed by supplement 15 to the Procedure.

The auction commission, in accordance with supplement 20 to the Procedure, will on May 29, 1998 until 3 p.m. Moscow time review the bids and the bidders' documents, and will on the basis of information provided by the Central Bank of Russia and/or the seller confirm the fact of advance payment made in time in accordance with supplement 15 to the Procedure. In the instance outlined by supplement 18 to the Procedure, the auction commission will decide to refuse the bidder the right to participate in the Auction. Commission signs a protocol in which all bids accepted (with the names of the bidders), bids refused, recalled bids, and the names of the bidders recognized as auction participants, as well as the names of bidders who were refused admittance to the auction by regulations of the Procedure are listed. On the basis of the protocol, those recognised as auction participants, until 4 p.m. Moscow time on May 19, 1998, will be notified of their admission by means of presentation to them or their authorized representatives of corresponding notification.

Bidders not admited to the auction will be informed of this fact by means of delivery to them upon receipt of the corresponding notification. If absent, the bidder will be notified by means of a notice sent by post (registered letter) within no more than three days after the protocol on the acceptance of bids has been signed.

Bidders recognised by the Auction commission as official auction participants will submit in written form to the commission from 4 to 5 p.m Moscow time on May 29, 1998 their bids on the price of Rosneft stock sealed in a separate envelope.

The auction commission will be responsible for the opening of envelopes and for the announcement of the auction participants' bids which must be stated in Russian, signed by the participant or it authorised representative, and sealed. The price must be stated both in numerals and written out. If the price in numerals and the price stated in full turn out to be different prices, the auction commission will take into consideration the price written in full.

The auction participant who offers the highest price for Rosneft stock will be declared winner of the auction. If two or more bids are of equal value, the participants who submitted the bids the earliest will be declared winner.

Notification of the auction winner and a copy of the protocol on the contest results will be presented to the auction winner or its authorised representative upon receipt. If absent, the winner will be notified by post by registered letter within three days after the date of the protocol's ratification. The remaining participants will each be sent a copy of the protocol within five days after the date of its ratification.

The seller and the auction winner (the buyer) will conclude an agreement on the purchase of Rosneft shares based on the auction results no later than 20 days after the seller has ratified the protocol on the auction results and the buyer has submitted an inquiry (from the atx inspection service) of the origin of the financial sources used to make a payment equal to the sale price of the stock.

A Rosneft purchase agreement is to be concluded in accordance with the Russian Federation Civil Code and statutes 21 and 28 of the federal law entitled "On the privatization of estate property and on the bases of privatization of municipal property in the Russian Federation." The form and condition of the purchase agreement (draft agreement) proposed for concluding the auction with the winner is published in the RFPF bulletin "Reforma."

The contest winner (the buyer) will pay for the stock bought during the auction in rubles within no less than 20 days after a purchase of Rosneft shares agreement is concluded on the price set as a result of the auction, with the obligatory deposit of no less than half of that amount within five days after the conclusion of the purchase agreement, taking into account the sum the winner paid in advance.

Simultaneously with the agreement on the purchase of Rosneft stake, the auction winner (the buyer) and Rosneft are to conclude an agreement on the order of carrying out the investment conditions and on the use of investments.

The conclusion of the agreement in question is obligatory for the seller, the auction winner, and Rosneft.

The agreement on the order of carrying out the investment conditions and on the use of investments is to be concluded in accordance with the Procedure in accordance with supplement No. 2, its form and condition are published in the RFPF bulletin "Reforma."

The purchase agreement of Rosneft shares is not to be concluded if the winner does not present proof of an inquiry by the tax inspection service into the financial sources used to make a payment equal to the sale price of the stock, or if the contest winner refuses or neglects to conclude the agreement. If this be the case, the advance payment made by the winner in accordance with clause 15 of the Procedure will not be returned, and the Rosneft stock offered for auction will remain the property of the federal government.

The right to ownership of Rosneft stock will be transferred to the auction winner (the buyer) in the order set by agreement on the purchase of Rosneft stock, after the fulfilment of the auction winner (the buyer) of the following conditions:

- execution of payment for the Rosneft stock stake at the sale price;
- complete satisfaction of all of the auction's investment conditions as outlined by the Procedure and by the agreements concluded in accordance with it. The fact that the investment conditions have been met must be confirmed by the commission on the control over the fulfiling of auction investment conditions (later listed as "the Commission").

The auction commission is located at the following address: build. 9, eighth floor, office 810, Leninsky Prospekt, Moscow, Russia; Tel. 236-70-90, 236-12-85.

The privatization plan, the auction Procedure, the documents that must be presented to the auction commission, and other information can all be obtained at the above address.

Auction results will be announced on May 29, 1998 at 5 p.m. Moscow time at the auction commission's address.

Bids will be accepted starting March 25, 1998, on work days from 10 a.m. to 6 p.m. Moscow time at the following address: build. 9, eighth floor, office 810, Leninsky Prospekt, Moscow, Russia; Tel. 236-70-90, 236-12-85.

Deadline for placing bids - May 26, 1998, five p.m. Moscow time.

An auction in which no one has applied to participate, in which there was only one participant, or in which none of the applicants was recognized as a participant will be declared invalid.

Contest participants are obligated to observe all requirements of anti-monopoly legislation, including statute 10 of the Russian Federation Civil Code (part one) in the part forbidding the use of civil rights by the applicants and participants with the goal of limiting competition between trading participants, as well as statute 18 of the Russian Federation law entitled "On competition and limiting monopolistic activity on trade markets" in the part on the receipt by the share buyers of pre-emptive consent of anti-monopoly bodies in the instances observed by the law.

According to Rosneft data, the balance consolidated sheet as of Oct. 1, 1997 follows in addendum:

Rosneft Balance Sheet (consolidated) as of Oct. 1, 1997, in millions of rubles:

| *Assets* | *Amount* | *Liabilities* | *Amount* |
|---|---|---|---|
| Long-term assets | 18,566,154 | Capital reserves | 18,612,905 |
| Current assets | 7,905,755 | Long-term liabilities | 1,300,377 |
| Losses | 781,089 | Short-term liabilities | 7,339,716 |
| Balance | 27,252,998 | Balance | 27,252,998 |

**Demands for filling out bids**

A bid to participate in the auction with the obligatory satisfaction of the contest conditions is to be presented in written form according to the form outlined by the seller, signed by the person or persons or properly authorised representatives, and certified with the bidder's seal.

The bid should contain the bidder's obligations in the case of the bidder being pronounced winner of the auction:

- to meet the conditions of the commercial contest with investment conditions on the sale of federal government-owned Rosneft stock, outlined in the Procedure;
- to conclude, within no later than 20 days after the seller has ratified the protocol on the auction results, an agreement on the purchase of the stock in question and an agreement on the order of carrying out investment conditions and the use of investments in accordance with the Procedure in question;
- to execute payment for the stock in question within no later than 20 days after the conclusion of the purchase agreement in accordance with supplement 12 to the Procedure;
- to bear ownership responsibilities if an inquiry by the tax inspection service into the declaration of money sources during the conclusion of the purchase agreement is not presented, or in the case of a refusal or decline to conclude the agreement in question in accordance with supplement 21 to the Procedure.

The bid must include the legal and postal addresses and the bank requisitions of the bidder.

The bid must be accompanied by a list, in duplicate and signed by the bidder, of documents presented in accordance with supplement 16 to the Procedure and a document verifying the authority of a person or persons to act in the name of the bidder.

Bids may be obtained at the place of bid acceptance.

For further information, contact the auction commission at the following address: build. 9, eighth floor, office 810, Leninsky Prospekt, Moscow, Russia; Tel. 236-70-90, 236-12-85.

# Prices drift lower in light volumes

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

Prices continued to drift lower yesterday in light volumes, with little news to give any direction. However, analysts suggested that data due from Germany this week might start to rouse investors in the European sector.

David Brown, chief economist at Bear Stearns, said: "The market thinks that the Bundesbank is not likely to strike with higher rates before the May 1-3 Emu and euro fixings. All we would say is be prepared for anything, anytime, as there is no such thing as political correctness when it comes to the Bundesbank carving its name on the wall of monetary credibility."

The Ifo survey, M3 data, producer price inflation and west German inflation data this week should provide *more evidence as to the* likely direction of German interest rates. But in the *meantime*, GERMAN BUNDS continued to edge lower. The June contract in London settled down 0.19 at 107.58.

In the UK, the GILTS market shrugged off the announcement of PSBR figures for March around £1.2bn better than the consensus, with analysts saying the focus was all on interest rates, rather than supply of bonds.

Indeed, the future traded within a narrow trading range of just six basis points, and volume was only just over 30,000 contracts. It settled unchanged at 109$\frac{1}{32}$.

*Julian Jessop, economist* at Nikko Europe, said: "The numbers have been coming in better than expected for as long as anyone can remember."

Nonetheless, he estimated that after stripping out the effects of the windfall tax, the *funding requirement* for the current fiscal year would amount to just £500m.

Including the tax, there would be a substantial surplus, which would mean a reduction in the outstanding gilts market – the first in seven years – at a time of substantial institutional liquidity.

Sterling had weakened, after weekend comments by a Bank of England monetary policy committee member suggesting the doves could be edging ahead, making another interest rate increase less likely.

Nonetheless, the short-dated sterling market failed to respond and in the gilts *market the yield spread over* bunds narrowed by only one basis point to 100 points.

ITALIAN BTPs continued to track the German bund market downwards, although inflation data from sample cities over the next few days may provide some pointer for the timing of any monetary loosening.

The June contract settled 0.20 lower at 119.40, while in the cash market, the yield spread over bunds narrowed by one basis point to 24 points.

Carlo Azeglio Ciampi, treasury minister, continued to say the right things as far as European monetary union is concerned. He said yesterday that the country's debt to GDP ratio, a key concern for likely fellow Emu members, would fall from 122 per cent to 99 per cent by 2003.

US TREASURY prices fell back in quiet trading. By early afternoon, the benchmark 30-year Treasury bond *had lost* $\frac{11}{32}$ *to* 102$\frac{23}{32}$, *sending* the yield up to 5.924 per cent.

Shorter-term issues were also weaker. The two-year note fell $\frac{1}{32}$ to 99¾, yielding 5.567 per cent, while the 10-year note lost $\frac{3}{16}$ to 99$\frac{3}{16}$, yielding 5.645 per cent.

Putting pressure on prices were expectations of new corporate issues coming to market.

"There's a lot of corporate supply this week, some $10bn to $15bn," said Richard Gilhooly, international bond strategist at Paribas Capital Markets. Some thought corporate hedging had led to lower Treasury prices.

In addition, speculation swirled that Robert Rubin, treasury secretary, might be stepping down from his post.

"There have been Rubin resignation rumours for three months and each time they are denied, so I don't think they're having much effect on prices," added Mr Gilhooly. A spokesman for the Treasury Department denied Mr Rubin was about to resign.

Little fresh economic data is expected this week. On Thursday, new figures on weekly unemployment insurance claims will be released.

# CME to trade rouble contracts

By Edward Luce

The Chicago Mercantile Exchange will today launch the first rouble-denominated derivatives contract to be listed outside Russia.

The three-month contract, which will be based on the rouble's exchange rate with the US dollar, will initially extend for 18 months in six separate maturities. The CME will also launch options on the rouble/dollar exchange rate.

Today's launch follows the establishment of the CME's other emerging market currency contracts, including the Mexican peso future and option, which trades several thousand contracts a day, and similar contracts on the less-heavily traded Brazilian real and South African rand.

*The CME* said the rouble products were expected to be among its more popular *emerging market contracts*, given growing foreign interest in the Russian market.

"Foreign investors with interests in Russia need secure hedging instruments," it said.

Similar instruments are listed domestically in the Russian market and traded over-the-counter, but the CME believes its contracts will prove more durable, as an OTC or listed contract is only as secure as the counterparty or the exchange where it is traded.

"By trading on the CME you can eliminate your credit risk," *said the official*. The contracts will be worth Rbs500,000 apiece, or about $82,000. The nominal rouble size will not change.

The CME does not appoint market-makers for its contracts. It relies on the liquidity provided by locals – self-employed floor traders.

NEWS DIGEST

OILS AND METALS

## Kazakhstan awards privatisation mandates

The government of Kazakhstan has awarded privatisation mandates for the sale of stakes in oil and metals groups, in spite of earlier casting doubts on its plans for further sell-offs in the country's oil and gas sector. Banking consortiums led by Credit Suisse First Boston and Santander Investment will sell stakes of between 5 per cent and 20 per cent in the companies, either as *trade sales or* through public offerings, depending on market conditions and the assessments of the selling banks.

The companies are Kazakmys, *a copper producer*, Mangystaumunaigaz and Aktobemunaigaz, two oil and gas companies, and UTM, a magnesium and titanium producer. The government said yesterday *it had raised $78m from* state sell-offs in the first quarter of 1998, well below its own target, but was also reported to have raised $55m through the sale of another *stake in Mangystaumunaigaz* separate from the stake being sold by CSFB.

Last week, the government caused confusion when it *announced that* further privatisations in the oil and gas sector were being suspended. It later clarified that the suspensions referred only to the granting of licences to develop new oil and gas fields. However, officials have said they hoped to see the development of a viable *local* stock market through the flotation of state companies. The mandates awarded last week were the first awarded under Kazakhstan's "blue chip" privatisation programme, bankers said.

Kazakhstan has raised about $3bn to date through foreign investment in projects in its oil and gas sector, which is regarded as one of the biggest in the world with huge proven and untapped resources. Much of the investment has been in foreign acquisitions of stakes in state companies, and the government is keen to enable local investors to participate through stock market listings. **Vincent Boland**

EURO GOVERNMENT BONDS

## Salomon SB to launch index

*Salomon Smith Barney* yesterday became the latest investment bank to announce it would launch a new government bond index to coincide with the introduction of Europe's single currency. Salomon SB's new index, to be launched on June 1, will comprise bond issues with maturities of more than one year and greater than E1bn in size from member governments of the euro zone. The bank is also planning a euro index comprising euro-denominated government bonds issued by both European monetary union and non-Emu countries, institutions and companies.

Banks are rushing to launch euro government bond indices to meet growing investor demand for benchmarks to measure performance once the euro comes into effect on January 1 next year. Last month, J. P. Morgan announced its own new set of indices, and other banks have either done so or are planning their own benchmarks. **Vincent Boland**

# Ford to make $2.5bn offering

INTERNATIONAL BONDS

By Vincent Boland and Edward Luce

Ford Motor Credit will today launch $2.5bn of bonds, the largest corporate offering for several weeks. The issue, including a seven-year $1bn floating-rate tranche and a five-year $1.5bn fixed-rate portion, will be the first in a series of large corporate offers this week.

Bear Stearns, joint lead with Salomon Smith Barney, said the fixed-rate portion was targeted at fund managers *in the US and the* floating-rate tranche at European banks and other financial institutions.

The tranches will be priced at about 55 basis points over the March five-year Treasury and some 21 basis points over three-month Libor respectively.

SIEMENS FINANCE, a fund-raising vehicle for the German industrial group, returned to the market with a $200m four-year issue targeted at Swiss and German retail investors.

One syndicate official said there was strong demand for scarce high-quality paper, *and the deal was almost* entirely sold on the first day. ABN Amro, lead manager, *said the issue was launched* to get ahead of a rush of transactions expected in the next couple of days.

DEUTSCHE HYPO, the *mortgage arm of Germany's* Dresdner Bank, brought a $1bn two-year issue, callable after a year, targeted at European money market funds in the Benelux region, Germany and the UK.

Syndicate officials said the *borrower was seeking to* diversify outside its traditional pfandbrief investor base to a more dollar-based and international audience.

Meanwhile OLIVETTI, the Italian high technology group, said it would launch a E300m bond this week, making it only the second Italian company to issue in euros. The trend was pioneered by Parmalat, the foods group, earlier this year.

## New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Ford Motor Credit Corp | 1.5bn | (a)# | (a)R | Apr 2003 | 0.35R | +55(5¾%Mar03) | Salomon Smith Barney |
| Ford Motor Credit Corp‡ | 1bn | (b) | (b)R | Apr 2005 | 0.25R | - | Salomon Smith Barney |
| Deutsche Hypo(c)‡ | 1bn | (c1) | 99.98 | May 2000 | 0.05 | - | ABN Amro/Dresdner KB |
| Fokus Bank‡ | 300 | (d) | 99.959R | May 2003 | 0.175R | - | Merrill Lynch International |
| Siemens Finanz | 200 | 5.75 | 99.777R | May 2002 | 0.225R | +20(5%Feb01) | ABN Amro |
| **FRENCH FRANCS** | | | | | | | |
| SunAmerican Inst Funding I | 1.5bn | 5.25 | 99.115R | May 2009 | 0.375R | +42§ | Paribas |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Crelan Overseas | 2bn | 5.00¶ | 102.12 | Jul 2003 | 1.75 | - | Artesia Bank Lux |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Bayerische Vereinsbank | 100 | 8.25¶ | 101.075 | May 2000 | 1.125 | - | TD Securities |
| **SOUTH AFRICAN RAND** | | | | | | | |
| Daimler-Benz Intl Finance | 250 | 11.25¶ | 95.761R | May 2002 | 0.25R | - | SG |
| **RUSSIAN ROUBLES** | | | | | | | |
| Inter-American Dev Bank(e) | 300 | 31.00 | 99.39R | May 2000 | 0.325R | - | CSFB |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. b) Priced today to yield 3-mth Libor +21bp. c) Callable in May 99 at par. c1) 3-mth Libor –6¼bp to 11/5/99, then +25bp. d) 3-mth Libor +10bp. e) Payments in DM. Convertibility conditions may apply. § Over interpolated yield. ¶ Long 1st coupon

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| Apr 20 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 04/00 | 7.000 | 103.7592 | 4.98 | +0.07 | +0.10 | –0.01 | –1.44 |
| | 10/07 | 10.000 | 131.1518 | 5.65 | +0.06 | +0.15 | –0.08 | –2.18 |
| Austria | 09/99 | 7.000 | 103.7900 | 4.16 | +0.01 | +0.03 | +0.11 | +0.19 |
| | 07/07 | 5.625 | 104.9000 | 4.95 | +0.02 | +0.02 | +0.03 | –0.90 |
| [illegible] | | | | | | | | |

### BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 104.21 | 104.07 | –0.16 | 104.21 | 104.05 | 2,747 | 111,088 |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 2 | 171 |

Germany

Italy

Spain

UK

US

Japan

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 103.82 | 103.80 | +0.04 | 103.82 | 103.82 | 1 | 6,064 |

### US CORPORATE BONDS

### US INTEREST RATES

### UK BONDS

FTSE Actuaries Govt. Securities

UK Indices

FT Fixed Interest Indices

### UK GILTS PRICES

Other Fixed Interest

### INTERNATIONAL BONDS

| Apr 20 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Govts |
|---|---|---|---|---|---|---|---|---|
| EIB | 02/07 | 5.750 | AAA | 105.0800 | 4.94 | +0.05 | +0.04 | +0.11 |
| Spain | 01/07 | 5.750 | AA | 105.0800 | 5.01 | +0.05 | +0.06 | +0.15 |
| [illegible] | | | | | | | | |

### 10 YEAR BENCHMARK SPREADS

### EMERGING MARKET BONDS

## CURRENCIES & MONEY

# Yen falls despite intervention threats

**MARKETS REPORT**

By Simon Kuper

The yen dropped yesterday, as the gloom over Japan's economy outweighed the prospect of the Bank of Japan intervening for its currency. The yen's fall was sharper against the D-Mark than against the dollar, because the market believes that any intervention would be unlikely to affect D-Mark/yen.

The split between the US and Japan over intervention also became more visible yesterday.

The pound fell after comments by Charles Goodhart, member of the Bank of England's monetary policy committee, which were read to mean that he might switch to the camp of those voting against an interest rate rise in the MPC.

The yen dropped Y0.5 against the dollar and Y0.51 against the D-Mark to close in London at Y132.2 and Y73.36 respectively. The dollar fell 0.6 pfgs against the D-Mark to DM1.802. The pound suffered further in US hours, dropping to DM3.015 against the D-Mark and $1.675 against the dollar, 3.1 pfgs and 1 cent below Friday's London close.

■ Even the members of the Bank of England's MPC do not know whether UK interest rates have peaked, and they vote on them. The committee has split 4-4 over a rate rise for at least two months running, with Eddie George, the bank's governor, using his casting vote each time to keep rates unchanged at 7.25 per cent.

Mr Goodhart has been voting for a rate rise. So he caused a stir when he told a Sunday newspaper that certain economic data in March and early April "would be encouraging for those who would hope no further increases in interest rates might be necessary."

If Mr Goodhart changed his vote, the chances of a rate rise would indeed shrink sharply. However, he also told the newspaper that domestically generated inflation was "quite a way" above the government's target of 2.5 per cent. It seems that traders who were keen to sell sterling anyway, given signs that the UK economy is slowing, used his interview as an excuse to do so.

■ It seems that Tokyo and Washington do not entirely agree about dollar/yen. Hikaru Matsunaga, Japan's finance minister, said yesterday that Robert Rubin, US treasury secretary, had undermined the Japanese Easter intervention in support of the yen.

Japan spent billions of dollars to boost the yen on April 9 and Good Friday, and Mr Rubin said then that he supported the action. However, as Mr Matsunaga told a Japanese parliamentary committee: "But later on a different occasion, Mr Rubin said a strong dollar is in the US's interest. As a result, it (his remark) weakened the effect of our action to correct the yen's excessive weakness."

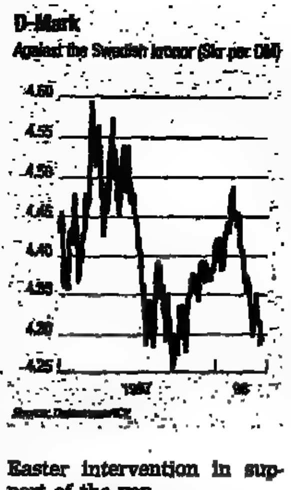
Philippa Malmgren, currency strategist at Bankers Trust in London, said the US and Japan were "very far apart" on the issue of intervention. She noted that Mr Rubin had said after last week's Group of Seven industrialised nations meeting that there had been no talk of coordinated G7 action for the yen.

Ms Malmgren, who speaks to Japanese officials very often, added that the Bank of Japan and the Japanese ministry of finance also disagreed about currencies. "Bank of Japan staff oppose currency intervention," she said. But when the ministry orders intervention, the bank has no choice but to act. She added: "I know the ministry's line in the sand is Y135" – the highest it is willing to let the dollar rise. Mark Geddes, treasury economist at ABN-Amro in London, said investors think Japan may intervene again around Friday, when it presents the details of its latest economic stimulus package. He noted that Japan had intervened around previous packages in December and at Easter.

■ "You always know that the markets are quiet when you come in the afternoon and you get the rumours from the US that Mr Rubin has resigned," says Mr Geddes. It happened again yesterday. Investors must know that the reports are invariably false, yet they always sell some dollars.

D-Mark

Against the Swedish krona (Skr per DM)



Source: Datastream/ICV

**■ POUND IN NEW YORK**

| Apr 20 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.6760 | 1.6845 |
| 1 mth | 1.6736 | 1.6820 |
| 3 mth | 1.6687 | 1.6770 |
| 1 yr | 1.6508 | 1.6580 |

**■ OTHER CURRENCIES**

| Apr 20 | £ | $ |
|---|---|---|
| Czech Rp | [illegible] | [illegible] - 31.5870 |
| Hungary | [illegible] | 210.720 - 210.770 |
| Iran | 5037.00 - 5034.30 | [illegible] - 3000.00 |
| Kuwait | 0.5123 - 0.5128 | 0.3053 - 0.3054 |
| Peru | 4.7272 - 4.7348 | 2.8170 - 2.8200 |
| Poland | 5.6778 - 5.6876 | 3.3835 - 3.3875 |
| Russia | 10.3081 - 10.5141 | 6.1415 - 6.1430 |
| U.A.E. | 6.1633 - 6.1676 | 3.6728 - 3.6730 |

## POUND SPOT FORWARD AGAINST THE POUND

| Apr 20 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Europe | | | | | | | | | | | | | |
| Austria | (Sch) | 21.2866 | -0.142 | 746 - 986 | 21.4818 | 21.2739 | 21.2171 | 3.9 | 21.0856 | 3.8 | 20.5892 | 3.3 | 102.7 |
| Belgium | (BFr) | 62.5062 | [illegible] | [illegible] | [illegible] | 62.4500 | 62.3037 | 3.9 | 61.9384 | 3.7 | 60.474 | 3.3 | 101.8 |
| Denmark | (DKr) | 11.5377 | [illegible] | 320 - 435 | 11.6329 | 11.5312 | 11.5037 | 3.5 | 11.438 | 3.6 | 11.1935 | 3.0 | 103.9 |
| Finland | (FM) | 9.1839 | [illegible] | 750 - 924 | 9.2570 | 9.1750 | 9.1549 | 3.8 | 9.0978 | 3.8 | 8.8823 | 3.3 | 80.1 |
| France | (FFr) | 10.1408 | -0.086 | 369 - 449 | 10.2229 | 10.1348 | 10.1085 | 3.8 | 10.0455 | 3.8 | 9.8092 | 3.3 | 105.3 |
| [illegible] | | | | | | | | | | | | | |

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Apr 20 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Europe | | | | | | | | | | | | | |
| Austria | (Sch) | 12.6810 | -0.0367 | 778 - 841 | 12.7390 | 12.6750 | 12.6535 | 2.1 | 12.6180 | 2.0 | 12.4642 | 1.8 | 102.4 |
| Belgium | (BFr) | 37.2460 | -0.035 | 200 - 600 | 37.4810 | 37.2650 | 37.1715 | 2.2 | 37.0605 | 1.9 | 36.58 | 1.8 | 101.7 |
| Denmark | (DKr) | 6.8736 | -0.0182 | 726 - 746 | 6.9118 | 6.8650 | 6.8633 | 1.8 | 6.8441 | 1.7 | 6.7788 | 1.5 | 103.2 |
| Finland | (FM) | 5.4713 | -0.0159 | 677 - 749 | 5.5015 | 5.4600 | 5.462 | 2.0 | 5.4436 | 2.0 | 5.3726 | 1.8 | 79.6 |
| France | (FFr) | 6.0415 | [illegible] | 407 - 422 | 6.0752 | 6.0360 | 6.0309 | 2.1 | 6.0109 | 2.0 | 5.9335 | 1.8 | 104.7 |
| [illegible] | | | | | | | | | | | | | |

## WORLD INTEREST RATES

### MONEY RATES

[illegible]

### EURO CURRENCY INTEREST RATES

[illegible]

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

[illegible]

## UK INTEREST RATES

### LONDON MONEY RATES

[illegible]

### EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

**■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%**

| Strike Price | CALLS Jun | Sep | Dec | PUTS Jun | Sep | Dec |
|---|---|---|---|---|---|---|
| 9250 | 0.07 | 0.21 | 0.40 | 0.06 | 0.08 | 0.11 |
| 9275 | 0.01 | 0.08 | 0.24 | 0.25 | 0.20 | 0.20 |
| 9300 | 0 | 0.03 | 0.12 | 0.49 | 0.40 | 0.33 |

Est. vol. total, Calls 11537 Puts 5725. Previous day's open int., Calls [illegible] Puts [illegible]

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 7.25 | Exeter Trust Limited | 8.25 | ●Singer & Friedlander | 7.25 |
| Allied Irish Bank (GB) | 7.25 | Financial & Gen Bank | 8.00 | ●Smith & Williamson | 7.25 |
| ●Henry Ansbacher | 7.25 | ●Robert Fleming & Co | 7.25 | Sun Bank plc | 7.25 |
| Banco Bilbao Vizcaya | 7.25 | ●Guinness Mahon | 7.25 | TSB | 7.25 |
| Bank of Cyprus | 7.25 | Habib Bank AG Zurich | 7.25 | United Bank of Kuwait | 7.25 |
| Bank of Ireland | 7.25 | ●Hambros Bank | 7.25 | Unity Trust Bank Plc | 7.25 |
| Bank of India | 7.25 | Heritable & Gen Inv Bk | 7.25 | Whiteaway Laidlaw | 7.25 |
| Bank of Scotland | 7.25 | C. Hoare & Co | 7.25 | Yorkshire Bank | 7.25 |
| Barclays Bank | 7.25 | Hongkong & Shanghai | 7.25 | | |
| Brit Bk of Mid East | 7.25 | Investec Bank (UK) Ltd | 7.25 | | |
| ●Brown Shipley & Co Ltd | 7.25 | Julian Hodge Bank | 7.25 | | |
| Citibank NA | 7.25 | ●Leopold Joseph & Sons | 7.25 | | |
| Clydesdale Bank | 7.25 | Lloyds Bank | 7.25 | | |
| The Co-operative Bank | 7.25 | Midland Bank | 7.25 | | |
| Coutts & Co | 7.25 | NatWestminster | 7.25 | | |
| Cyprus Popular Bank | 7.25 | ●Rea Brothers | 7.25 | | |
| Duncan Lawrie | 7.25 | Royal Bk of Scotland | 7.25 | | |
| | | Scottish Widows Bank | 7.25 | | |

● Members of London Investment Banking Association

* In administration

## COMMODITIES & AGRICULTURE

# Tin rises as stocks reach nine-year low

**MARKETS REPORT**

By Kenneth Gooding and Paul Solman

Tin was the only metal to increase in price on the London Metal Exchange yesterday. Also, the premium for tin for immediate delivery, compared with three-month metal, increased again to between $60 and $65 a tonne. This premium had reached $130 a *tonne at one stage* in March.

Karen Norton, Billiton *Metals'* analyst, *pointed out* that LME tin stocks were at their lowest since October 1989, when prices were above $8,000 a tonne, against yesterday's close of $5,617.50.

"This indicates the market is not wholly convinced that the low level of LME stocks is an accurate reflection of the market's fundamentals," she says in Billiton's Weekly Research Report.

The present tightness of nearby tin supply can largely be attributed to *lower exports from China* at a time of seasonally strong demand. However, Billiton expects Chinese exports eventually will be little changed this year.

Billiton is forecasting that this year there will be a tin supply surplus *of 2,000* tonnes, compared with one of 8,000 tonnes in 1997. Ms Norton is forecasting an average price of $5,510 a tonne this year, 2.3 per cent below the $5,642 of 1997.

Palladium prices remained *volatile on the bullion* market because of continuing uncertainties about supplies from Russia, the biggest producer. It closed in London up $13.50 a troy ounce at $326 an ounce.

Many metal market participants *are now coming to the* view that exports from Russia will start in June – about one month earlier than last year, when they were delayed by bureaucratic wrangling.

On London's International Petroleum Exchange, oil prices rose slightly but remained range-bound. In late trading, the bellwether June contract for Brent crude stood at $14.54 a barrel compared with Friday's close of $14.35.

Brokers *said that the* world oil markets were waiting to see what the effect would be of Tuesday's expiry of the May crude futures contract on the New York Mercantile Exchange.

Coffee futures rose on the London International Financial Futures Exchange, with the July contract closing at $1,*912* a tonne, $*12 higher* than Friday's level.

Vietnam, an important exporter, said it had 100,000 tonnes of coffee left unsold *from its current crop.* It has exported 220,000 tonnes so far from the 1997-98 crop.

Cocoa built on the gains made last Friday, with the July contract closing up £16 at £1,053 a tonne.

# Indian edible oil prices jump

By Kunal Bose in Calcutta

Prices of edible oils in India have jumped more than 20 per cent since January as the winter production of oilfeed crops has been forecast to fall to 8.47m tonnes from 9.72m tonnes last time.

According to the Central Organisation for Oil Industry and Trade, the country's *total production of oilfeed* crops in the 1997-98 season (November to October), including the monsoon crop, will be down 300,000 tonnes to 21.33m tonnes.

The crops have been hit by unfavourable weather, including drought followed by unseasonal rain. Less than 25 per cent of the 26m hectares under oilfeed crops has irrigation coverage.

Trade officials fear further rises in edible oils prices in the coming weeks as imports in the first four months have fallen to 305,000 tonnes from 460,000 tonnes in the same period of 1996-97. The price of imported palmolein has risen 25 per cent to Rs37 (93 US cents) a kg.

The COOIT said India, which accounts for more than 9 per cent of world oilfeed crop production, would have to raise imports by 250,000 tonnes to 1.8m tonnes to make up for the shortfall in domestic supply.

The federal government is *also considering whether* to lower the 25 per cent ad valorem customs duties on edible oils.

"Edible oils are a highly sensitive commodity in India and the prices are approaching the flashpoint," said an industry official.

"The government knows the runaway inflation in *prices is not due to hoarding* by speculators but to a physical shortage of oil. Imports at a much lower duty can mitigate the situation," he added.

The government is also considering a proposal to levy two sets of customs duties on refined and unrefined oil. Refiners want the government to remove restrictions on the import of oilfeed crops and oil-bearing materials.

"The refineries are at the *most* utilising 55 *per* cent of their capacities. It will be a great help if they can process imported oil feed crops," the COOIT said.

"What must, however, be ensured is that the imports do not hurt Indian farmers."

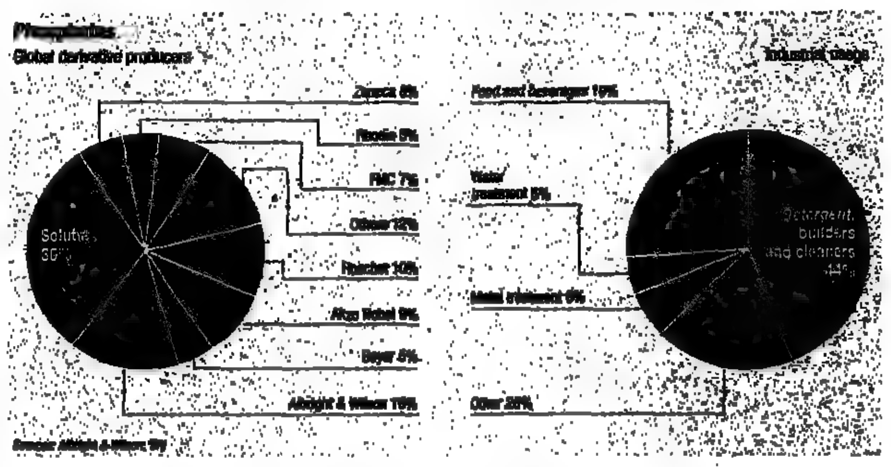
It said the farmers would not object to imports of oilfeed crops as they were getting more than government-declared minimum support prices.

# Bid to put fizz back in phosphates

After two flat years, prices of the chemical have been increased, writes **Peter John**

Phosphate, the chemical that helps put the bubble in a bottle of pop, is *regaining its fizz after more* than two flat years. Producers in the US have raised prices by 3 to 4 per cent, the first increase since January 1996.

Albright & Wilson, the British commodity chemicals group that leads the world in industrial phosphates and is responsible for 16 per cent of global production, has pushed up the US cost of phosphoric acid.



The product, which is used in soft drinks such as Coca-Cola and Pepsi, has been increased in price from 33.5 cents a pound to 34.5 cents a pound. Albright has also raised the cost of sodium tripolyphosphate – an important ingredient in washing powders – from 41.25 cents to 42.75 cents a pound.

Other big US producers such as Solutia – which makes up to a third of the world's phosphate derivatives – and FMC are also *raising prices for phosphoric* acid as well as food and technical grade phosphates.

The increases will not trickle through to the customer this year because prices are hedged by forward buying. But they should provide *relief for battered* margins next year, especially for Albright, which has suffered from both rising raw materials and the pressure imposed by the strength of sterling.

Lyall Work, president of *Albright's US operations*, says: "Our phosphate sales are significant. One never knows for sure if [the price rise] will stick but we led the way and all our competitors are following."

Mr Work is optimistic the *increases in the US will have* a domino effect in other regional markets. "In other parts of the world, prices have been rising slightly but the US is *a fairly large* homogenous market so it tends to be more transparent and point the way," *he said.*

Chemicals analysts also see the move as a positive step in a hard-hit industry. Peter Edwards, a broker at ABN Amro, says: "One is looking for the beginning of a trend and if *Albright feels* it is able to increase the price, that is an encouraging signal."

Jeremy Chantry, of Credit Lyonnais Securities, cites the importance among European operators of offsetting the impact of sharp currency moves.

"Pricing has been a major problem over the past few years, particularly in Europe, and particularly in sodium tripolyphosphate, where there has also been *big over-capacity. This* pricing initiative perhaps indicates that the worst is over."

On the other hand, one of the motors behind rising prices is reduced production capacity in some areas. Mr Edwards says that during the 1990s the industrial phosphates market fell by 30 per cent, partly because of environmental worries. For example, their use in detergents is largely responsible for outbreaks of vivid green *algae in rivers and canals.*

Nevertheless, the shift is considered good news for the industry, while not being bad news for the local laundry or the sweet-toothed drinker.

"The price of a bottle of *cola is not going* to rise because of this," says Mr Work. "Do not stock up."

## NEWS DIGEST

### NICKEL

## Inco urged to halve size of Voisey's Bay project

Inco, the Canadian group *that* is the world's biggest nickel producer, should halve the size of its planned US$1.4bn Voisey's Bay project in Labrador because, as it stands, it is unlikely to produce acceptable returns, said Amy Gassman, analyst at Goldman Sachs, the US investment bank.

*Voisey's was destined* to be the world's biggest and lowest-cost nickel producer when Inco took over Diamond Fields, which discovered the deposit, for more than US$3bn in March 1996. Since then nickel prices *have slumped.*

"When you do a return calculation and include the acquisition cost, the initial capital cost, plus the sustaining capital that will be required over the life of the mine to develop the additional ore bodies at depth, you are unlikely to be able to *achieve acceptable returns,*" said Ms Gassman.

She issued a report recently stating that the bleak outlook for nickel prices and uncertainties surrounding mining taxes, power costs and royalties meant *the project could not* generate adequate returns for Inco as it stands.

"When we bought [Voisey's Bay] in March 1996, the price of nickel was US$3.75 [a pound] and last Friday it was US$2.41. Of course it's less attractive at US$2.41 than at US$3.75," Inco said. The company added that *it* was reviewing all aspects *of* Voisey's Bay.

Inco has wrestled with a number of delays. Aboriginal land *claims remain a thorny* issue and Newfoundland is demanding big concessions, in particular that the ore concentrate be refined and smelted in the province.

Ms Gassman said that *because of the complexities surrounding* Inco's negotiations with Newfoundland, the company would find it tough to take a write-down on the project. Apart from halving the size of the project, it would *help if* Newfoundland let Inco send ore to its facilities at Sudbury, *Ontario, for the first* couple of years, she said.

Since 1996, analysts have reduced their forecasts of long-term nickel prices from between US$3.75 and $4 a pound to between *$2.75 and $3. Reuters, Toronto*

### BANANAS

## Panama workers call off strike

*Banana workers in Panama have called off their strike at plan*tations of US company Chiquita, but the year's production is expected to be all but wiped out by the stoppage and its after-effects.

As well as an estimated $14m in lost exports during the 57-day strike, severe delays are inevitable before fruit production resumes because of the lack of maintenance on the Armuelles plantation on Panama's Pacific coast.

*Production at the plantation, owned by Chiriqui Land Com*pany, a Chiquita subsidiary, totalled about 10m boxes of fruit a year. Panama exported 33m boxes of bananas last year. Two-thirds go to Europe, making the country the fourth-largest Latin American exporter to the European Union.

The strike was mainly over the fate of 250 dock workers, who will lose their jobs as the company redirects its exports to another port on Panama's Atlantic coast. It was the second longest banana strike in Panama's history. Ernesto Perez Balladares, Panama's president, criticised the stoppage, saying workers had achieved nothing. James Wilson, Panama City

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1407.5-8.5 | 1438.5-9.0 |
| Previous | 1416-17 | 1444-46 |
| High/low | | 1450/1435 |
| AM Official | 1410.5-11.5 | 1439-39.5 |
| Kerb close | | 1442-2.5 |
| Open int. | n/a | |
| Total daily turnover | n/a | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1278-80 | 1308-10 |
| Previous | 1288-90 | 1316-19 |
| High/low | | 1310/1307 |
| AM Official | 1273-75 | 1305-06 |
| Kerb close | | 1305-10 |
| Open int. | n/a | |
| Total daily turnover | n/a | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 563.5-4.5 | 572.5-3.0 |
| Previous | 568.5-9.5 | 576-7 |
| High/low | | 581/571 |
| AM Official | 565.5-6 | 573.5-4 |
| Kerb close | | 574-5 |
| Open int. | n/a | |
| Total daily turnover | n/a | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5330-40 | 5425-30 |
| Previous | 5365-75 | 5455-60 |
| High/low | | 5500/5420 |
| AM Official | 5350-55 | 5445-50 |
| Kerb close | | 5415-20 |
| Open int. | n/a | |
| Total daily turnover | n/a | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5645-55 | 5590-95 |
| Previous | 5605-15 | 5560-70 |
| High/low | | 5620/5560 |
| AM Official | 5630-35 | 5570-75 |
| Kerb close | | 5615-20 |
| Open int. | n/a | |
| Total daily turnover | n/a | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1076.5-7.5 | 1103-4 |
| Previous | 1084.5-85.5 | 1109-10 |
| High/low | | 1112/1100 |
| AM Official | 1077.5-78 | 1103.5-04 |
| Kerb close | | 1106-7 |
| Open int. | n/a | |
| Total daily turnover | n/a | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1818.5-9.5 | 1833-3.5 |
| Previous | 1811-12 | 1824-25 |
| High/low | | 1849/1836 |
| AM Official | 1825.5-26 | 1838.5-39 |
| Kerb close | | 1839-40 |
| Open int. | n/a | |
| Total daily turnover | n/a | |

■ LME AM Official £/$ rate: 1.6776

LME Closing £/$ rate: 1.6800

Spot: 1.6757 3 mths: 1.6695 6 mths: 1.6616 9 mths: 1.6555

■ HIGH GRADE COPPER (COMEX)

### PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 307.9 | +0.3 | 308.5 | 307.6 | 15 | 390 |
| Jun | 309.6 | +0.2 | 310.2 | 308.2 | 19,337 | 89,113 |
| Aug | 311.9 | +0.2 | 312.4 | 311.4 | 353 | 6,105 |
| Oct | 313.9 | +0.2 | 314.0 | 313.5 | 10 | 4,818 |
| Dec | 315.9 | +0.2 | 316.5 | 315.3 | 822 | 16,808 |
| Feb | 317.7 | +0.2 | - | - | 11 | 8,624 |
| Total | | | | | 22,897 | 151,789 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 421.9 | +6.3 | - | - | 2 | 149 |
| Jul | 415.9 | +6.3 | 416.5 | 410.5 | 985 | 12,434 |
| Oct | 408.9 | +6.3 | - | - | 6 | 531 |
| Jan | 404.9 | +6.3 | - | - | 2 | 43 |
| Total | | | | | 985 | 13,180 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 286.10 | - | 286.10 | 276.00 | 745 | 4,367 |
| Sep | 286.10 | - | 266.00 | 265.00 | 184 | 928 |
| Dec | 289.10 | - | 290.00 | 283.00 | 131 | 214 |
| Total | | | | | 1,060 | 5,606 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 621.5 | -2.2 | 628.0 | 618.0 | 6,781 | 37,284 |
| Jul | 625.7 | -1.2 | 632.0 | 622.0 | 2,095 | 19,099 |
| Sep | 625.5 | -1.0 | 629.0 | 622.0 | 285 | 5,506 |
| Dec | 625.0 | -0.7 | 630.0 | 620.0 | 430 | 11,198 |
| Jan | 624.3 | -0.7 | - | - | - | 15 |
| Mar | 622.4 | -0.7 | - | - | 179 | 2,509 |
| Total | | | | | 22,061 | 93,367 |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 15.52 | +0.06 | 15.59 | 15.38 | 55,998 | 45,837 |
| Jun | 16.00 | +0.09 | 16.07 | 15.82 | 73,987 | 126.3k |
| Jul | 16.36 | +0.14 | 16.38 | 16.12 | 21,772 | 54,445 |
| Aug | 16.53 | +0.07 | 16.65 | 16.50 | 7,497 | 28,968 |
| Sep | 16.80 | +0.14 | 16.80 | 16.68 | 2,712 | 25,461 |
| Oct | 16.93 | +0.11 | 16.94 | 16.90 | 1,134 | 16,049 |
| Total | | | | | 170,338 | 476,958 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 14.45 | - | 14.54 | 14.35 | 15,306 | 90,374 |
| Jul | 14.77 | +0.11 | 14.83 | 14.69 | 5,608 | 32,519 |

■ HEATING OIL NYMEX

■ GAS OIL IPE

■ NATURAL GAS IPE

■ NATURAL GAS NYMEX

■ UNLEADED GASOLINE NYMEX

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 75.30 | +0.55 | 75.30 | 74.80 | 171 | 1,348 |
| Jul | 77.30 | +0.55 | 77.50 | 76.90 | 360 | 1,881 |
| Sep | 75.40 | +0.65 | - | - | - | 143 |
| Nov | 77.40 | +0.65 | 77.50 | 77.00 | 55 | 3,026 |
| Jan | 79.40 | +0.60 | 79.50 | 79.00 | 20 | 520 |
| Total | | | | | 615 | 7,866 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 298.75 | -5.00 | 302.00 | 298.50 | 5,477 | 25,071 |
| Jul | 309.75 | -4.25 | 314.00 | 309.00 | 8,632 | 58,846 |
| Sep | 318.50 | -4.25 | 322.00 | 319.00 | 1,657 | 10,224 |
| Dec | 333.50 | -3.25 | 335.50 | 332.50 | 2,384 | 18,766 |
| Mar | 344.00 | -3.00 | 344.50 | 343.50 | 102 | 2,377 |
| Jul | 353.50 | - | 353.50 | 353.50 | 15 | 90 |
| Total | | | | | n/a | n/a |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 248.75 | -1.75 | 251.00 | 247.00 | 27,744 | 79,530 |
| Jul | 256.25 | -1.75 | 258.50 | 254.00 | 27,870 | 129,748 |
| Sep | 262.75 | -2.00 | 263.50 | 261.25 | 2,572 | 31,811 |
| Dec | 268.00 | -2.25 | 271.50 | 266.00 | 16,528 | 109,052 |
| Mar | 275.50 | -2.25 | 276.25 | 274.00 | 771 | 8,253 |
| May | 279.50 | -2.50 | 280.50 | 278.00 | 31 | 673 |
| Total | | | | | n/a | n/a |

■ BARLEY LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 74.50 | - | 74.50 | 74.50 | 10 | 209 |
| Sep | 72.50 | - | - | - | - | 10 |
| Nov | 74.50 | - | - | - | - | 642 |
| Jan | 76.50 | - | - | - | - | 94 |
| Mar | 78.50 | - | - | - | - | 1 |
| Total | | | | | 10 | 955 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 643.00 | +0.75 | 643.50 | 636.50 | 11,938 | 31,801 |
| Jul | 641.75 | -0.75 | 642.25 | 636.50 | 18,294 | 60,655 |
| Aug | 641.25 | -1.25 | 641.50 | 637.50 | 1,040 | 11,925 |
| Sep | 624.50 | -1.50 | 625.50 | 621.50 | 388 | 2,619 |
| Nov | 617.50 | -1.50 | 620.00 | 613.00 | 4,275 | 38,263 |
| Jan | 624.50 | -2.00 | 623.50 | 621.00 | 65 | 1,640 |
| Total | | | | | n/a | n/a |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 28.64 | +0.65 | 28.70 | 27.90 | 7,282 | 38,613 |
| Jul | 28.94 | +0.68 | 29.00 | 28.16 | 8,359 | 71,449 |
| Aug | 28.82 | +0.66 | 28.90 | 28.07 | 1,994 | 14,780 |
| Sep | 28.52 | +0.65 | 28.65 | 27.90 | 490 | 7,349 |
| Oct | 27.95 | +0.55 | 28.00 | 27.55 | 173 | 6,218 |
| Dec | 27.65 | +0.56 | 27.75 | 27.00 | 1,939 | 18,530 |
| Total | | | | | n/a | n/a |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LIFFE

■ FREIGHT (BIFFEX) LIFFE

### PULP AND PAPER

■ POLPEX

### SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 1033 | +15 | 1034 | 1012 | 1,504 | 25,485 |
| Jul | 1053 | +16 | 1053 | 1032 | 2,877 | 21,223 |
| Sep | 1074 | +16 | 1074 | 1055 | 220 | 22,283 |
| Dec | 1096 | +16 | 1095 | 1076 | 821 | 32,382 |
| Mar | 1120 | +14 | 1119 | 1104 | 258 | 39,674 |
| May | 1136 | +14 | 1130 | 1120 | 272 | 13,091 |
| Total | | | | | 5,941 | 188,254 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 1662 | +55 | 1690 | 1690 | 645 | 1,732 |
| Jul | 1652 | +54 | 1666 | 1584 | 4,490 | 25,952 |
| Sep | 1672 | +51 | 1679 | 1610 | 165 | 10,036 |
| Dec | 1702 | +48 | 1674 | 1660 | 262 | 14,538 |
| Mar | 1732 | +48 | 1693 | 1666 | 330 | 9,293 |
| May | 1750 | +46 | 1732 | 1707 | 47 | 4,148 |
| Total | | | | | 8,379 | 71,872 |

■ COCOA (ICCO) (SDR's/tonne)

| | Price | Prev. day |
|---|---|---|
| Apr 17 | | |
| Daily | 1259.67 | 1242.63 |

■ COFFEE LIFFE (5 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 1982 | +26 | 1994 | 1965 | 1,933 | 16,999 |
| Jul | 1912 | +12 | 1926 | 1910 | 1,865 | 24,515 |
| Sep | 1867 | +17 | 1879 | 1858 | 493 | 4,548 |
| Nov | 1827 | +17 | 1835 | 1820 | 18 | 1,487 |
| Jan | 1787 | +17 | 1800 | 1800 | 5 | 111 |
| Mar | 1747 | +17 | 1760 | 1760 | 32 | 122 |
| Total | | | | | 4,495 | 47,767 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 150.50 | -0.10 | 152.40 | 148.50 | 3,774 | 6,883 |
| Jul | 145.50 | -0.05 | 146.75 | 144.75 | 3,739 | 10,961 |
| Sep | 139.55 | -0.25 | 140.50 | 139.00 | 574 | 5,446 |
| Dec | 132.75 | - | 133.75 | 132.50 | 317 | 4,674 |
| Mar | 128.15 | +0.15 | 130.00 | 128.50 | 37 | 1,552 |
| May | 127.15 | -0.10 | - | - | 21 | 666 |
| Total | | | | | 8,448 | 30,800 |

■ COFFEE (ICO) (US cents/pound)

| Apr 17 | | Prev. day |
|---|---|---|
| Comp. daily | 123.78 | 123.65 |
| 15 day average | 121.46 | 121.20 |

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 252.3 | +0.9 | 252.5 | 248.7 | 1,188 | 17,472 |
| Oct | 256.8 | +0.9 | 256.0 | 253.5 | 525 | 6,837 |
| Dec | 261.5 | +1.1 | 260.1 | 259.8 | 89 | 1,436 |
| Mar | 267.2 | +1.4 | 265.9 | 265.5 | 17 | 1,059 |
| May | 271.7 | +1.4 | 270.4 | 270.4 | - | 504 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

**VOLUME DATA**

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

**FUTURES DATA**

All futures data supplied by CMS.

**INDICES**

■ Reuters (Base: 18/9/31 = 100)

■ CRB Futures (Base: 1967 = 100)

■ GSCI Spot (Base: 1970 = 100)

■ LME WAREHOUSE STOCKS (tonnes)

**Minor metals** from Metal Bulletin

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 66.125 | -0.425 | 66.500 | 65.600 | 1,783 | 4,363 |
| Jun | 67.575 | -0.325 | 68.300 | 67.450 | 4,886 | 43,569 |
| Aug | 68.675 | -0.325 | 69.275 | 68.700 | 2,497 | 20,476 |
| Oct | 69.625 | -0.025 | 69.775 | 69.350 | 975 | 11,952 |
| Dec | 70.125 | - | 70.350 | 69.950 | 522 | 3,866 |
| Feb | 71.225 | -0.050 | 71.375 | 71.000 | 29 | 1,163 |
| Total | | | | | 10,499 | 85,889 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 61.780 | +1.775 | 61.975 | 60.200 | 2,232 | 14,894 |
| Jul | 60.725 | +1.600 | 60.975 | 59.400 | 712 | 5,420 |
| Aug | 58.450 | +1.450 | 58.000 | 57.100 | 410 | 3,799 |
| Oct | 54.700 | +0.950 | 54.950 | 54.025 | 281 | 3,307 |
| Dec | 54.025 | +0.700 | 55.300 | 54.300 | 104 | 3,384 |
| Feb | 58.650 | +0.700 | 58.700 | 57.900 | 15 | 509 |
| Total | | | | | 3,791 | 36,139 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 62.825 | +3.000 | 62.825 | 60.150 | 1,337 | 4,182 |
| Jul | 61.150 | +3.000 | 61.150 | 58.600 | 880 | 2,412 |
| Aug | 58.325 | +3.000 | 58.325 | 55.500 | 271 | 684 |
| Sep | 54.000 | +3.000 | 54.000 | 53.500 | 2 | 25 |
| Nov | 49.825 | +1.325 | 50.000 | 49.000 | 20 | 132 |
| Total | | | | | 2,506 | 7,895 |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

| | Jun | Sep | Jun | Sep |
|---|---|---|---|---|
| n/a | | | | |
| n/a | | | | |
| n/a | | | | |

■ COPPER (Grade A) LME

| | Jun | Sep | Jun | Sep |
|---|---|---|---|---|
| n/a | | | | |
| n/a | | | | |
| n/a | | | | |

■ COFFEE LIFFE

| | Jul | Sep | Jul | Sep |
|---|---|---|---|---|
| 1850 | 114 | 137 | 62 | 100 |
| 1900 | 94 | 119 | 82 | 102 |
| 1950 | 73 | 109 | 111 | 102 |

■ COCOA LIFFE

| | Jul | Sep | Jul | Sep |
|---|---|---|---|---|
| 1000 | 65 | 94 | 12 | 20 |
| 1025 | 46 | 77 | 20 | 28 |

■ BRENT CRUDE IPE

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

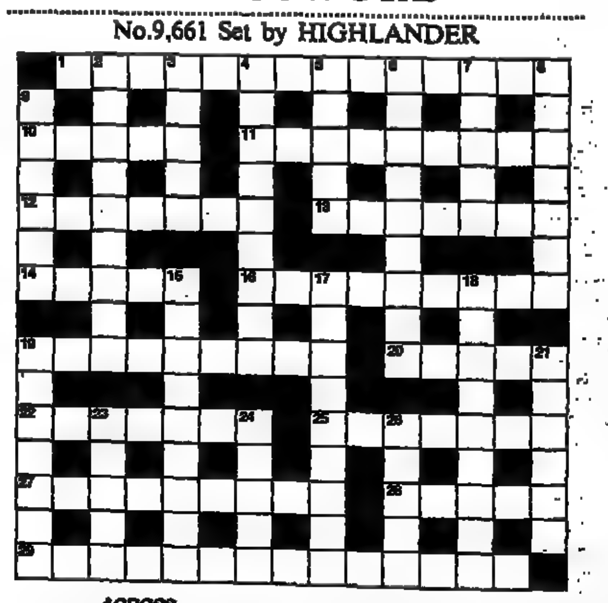
■ NATURAL GAS (Pence/therm)

■ OTHERS

**JOTTER PAD**

## CROSSWORD

No.9,661 Set by HIGHLANDER



**ACROSS**

1 American trumpeter left in a tizzy, arousing storm (5,9)
10 Came across gold circulating in European underground (5)
11 Think highly of incorporating unknown trade union ingredient (9)
12 Line of rulers, extremely dirty and bad (7)
13 Odd-jobmen with no work have time and a bit left over (7)
14 Old woman who interferes with fish (5)
16 Lindwall's first two bowled really badly with an open hand (9)
19 Against taking history before old Italian course (9)
20 Both Cayman Islands' radars show vessel going astern (5)
22 Is more designed to go round T-section of carpenter's joint (7)
25 Branch of Metropolitan police from which pirates were suspended (7)
27 One would plan a course via Tonga perhaps? Right (9)
28 Question? Answer: there is one at the Savoy (5)
29 Partner paints and I produce something to reduce damp (14)

**DOWN**

2 Total revealed and unacceptable (3-3-3)
3 Initially in charge of two Poles producing religious paintings (5)
4 All girl appears in is something flowery (9)
5 Graduate taking unruly mob to dance (5)
6 I'd extra – cooked with my stuffing (9)
7 Adjust volume dispensing with male seed (5)
8 Very much, at fifty, appearing in venerable setting (7)
9 In the thick of a fog covering Germany (6)
15 Splendid increase – have a refill! (7,2)
17 Politicians slip up over explosive device (5,4)
18 Reportedly went without eastern milk production (9)
19 Ammunition in a mess – use gas (7)
21 Glass endlessly shows a fall (6)
23 Fix with a pin inside and drive the car away (5)
24 Consumer not hot in front of radiator (5)
26 How signaller acknowledges bottom half of Blackbeard's flag (5)

Solution to Saturday's prize puzzle on Saturday May 2.
Solution to yesterday's prize puzzle on Monday May 4.

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# FT MANAGED FUNDS SERVICE

co urged to halve size Voisey's Bay project

nama workers call off strike

CROSSWORD

## OFFSHORE AND OVERSEAS

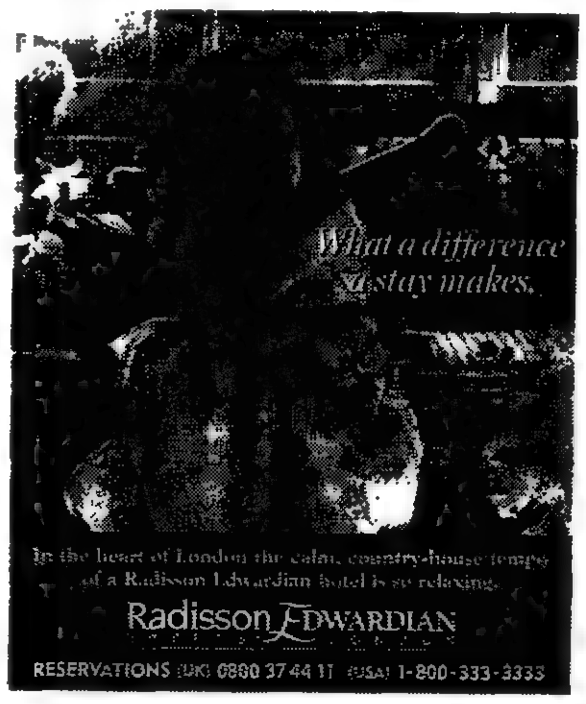
### BERMUDA (FSA RECOGNISED)

### BERMUDA (REGULATED)(**)

### GUERNSEY (FSA RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (FSA RECOGNISED)



### IRELAND (REGULATED)(**)

### ISLE OF MAN (FSA RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (FSA RECOGNISED)

### JERSEY (REGULATED)(**)

### LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

ABN AMRO Funds - Contd.

Aberdeen Fund Mngrs (Luxembourg) Ltd (u)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Fleming Group (u)

6 Route De Treves L-2633 Senningerberg Luxembourg

Mercury Asset Management - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management

Swiss Bank Corporation

Eagle Star Intl Life - Contd.

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OTHER OFFSHORE FUNDS

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# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4328 for more details.

Old Mutual International - Contd.

Old Mutual International (Isle of Man) Ltd

Victory Hse, Prospect Hill, Douglas, IoM

PanEuroLife société anonyme

Premier Life

The American Trust Bank

Apax Bank & Trust Company

Acadia Capital Advisors LLC

Arc Investment Company Ltd

Ardent Investment Management Limited

Artesia Partners (BVI) Ltd

Aristocrat Capital Management Ltd

Axfield-Sarasin Investment Mgmt Inc

Arnhold and S. Bleichroeder, Inc

Asia Pacific Securities Corp Ltd

Credit Suisse Asset Mgmt Funds

Credit Agricole/INDOCAM

Crosby Asset Management Ltd

Crystal Currency Fund Limited

Crystal Corporation N.V.

Crystal Fund Managers (Bermuda) Ltd

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CONSTRUCTION

## CONSTRUCTION - Continued

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING

## ENGINEERING - Continued

## ENGINEERING, VEHICLES

## ENGINEERING, VEHICLES - Continued

## EXTRACTIVE INDUSTRIES

## EXTRACTIVE INDUSTRIES - Continued

## FOOD PRODUCERS

## GAS DISTRIBUTION

## HEALTH CARE

## HOUSEHOLD GOODS & TEXT

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Continued

## INV TRUSTS SPLIT CAPITAL

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# LONDON SHARE SERVICE

## INV TRUSTS SPLIT CAPITAL - Continued

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LIFE ASSURANCE

## MEDIA

## MEDIA - Continued

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS

## PHARMACEUTICALS - Continued

## PROPERTY

## PROPERTY - Continued

## RETAILERS, FOOD

## RETAILERS, GENERAL

## RETAILERS, GENERAL - Continued

## SUPPORT SERVICES

## SUPPORT SERVICES - Continued

## TELECOMMUNICATIONS

## TOBACCO

## TRANSPORT

## TRANSPORT - Continued

## WATER

## AIM

## AIM - Continued

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

## TRADED INDEX SECURITIES

## GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ? Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimate. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. x Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimate for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimate for 1997. K Yield based on prospectus or other official estimate for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimate for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimate. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

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Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £9.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 260 4578.
Reports published by ShareFinder.

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An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
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Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

# Takeover hopes drive Footsie back towards 6,000

**MARKET REPORT**

By Steve Thompson,
UK Stock Market Editor

The stock market regained some of its recently lost poise yesterday, recovering well from last week's sell-off which saw the FTSE 100 in full retreat on each of the four trading days.

Behind the rally in share prices was real and rumoured takeover news, plus the impetus of Friday's performance by Wall Street, where the Dow Jones Industrial Average rose about 85 points to a record close.

Asian markets also provided a boost to sentiment, led by Hong Kong where the Hang Seng index moved up more than 1 per cent. But flurries of profit-taking and a disappointing performance from New York at the opening of US trading yesterday ensured the FTSE 100 finished the session well off its best.

The Dow never looked comfortable during European trading hours yesterday, sliding from the outset and posting a 35-point decline not long after London closed for the day.

At the close the FTSE 100 was left with a 31.9 gain at 5,954.1, well short of the day's best, which saw the index race back towards the 6,000 mark only to falter at 5,993.2.

The second-liners and small-caps delivered solid performances. The former, the FTSE 250, climbed 7.7 to 5,526.9, compared with a session high of 5,530.7 and only 31.5 away from its all-time closing high of 5,558.4, reached at the start of the month.

The FTSE SmallCap edged up 3.4 to 2,627.1 and is now only 13 points away from its record close.

A UK public sector borrowing requirement of £7.2bn in March was well below the consensus forecast of £8bn and encouraged sentiment in both gilts and equities at the start of a big week for economic news.

The actual takeover news concerned Courtaulds, where Akzo, the Dutch group, launched an agreed £1.88bn offer for the UK company. Courtaulds shares edged above the 450p-a-share Akzo bid price at one point, leading some market observers to speculate on the potential for a counter bidder or bidders to move in.

Dealers insisted there was more takeover action in the pipeline in the short term, with the utilities arena attracting plenty of support in the wake of the government's go-ahead last Friday for the Texas Utilities bid for the Energy Group.

Market makers are bracing themselves for a busy week as a series of important statistics are unveiled.

This morning brings inflation data, while tomorrow there is the unemployment report, earnings details and M4 lending.

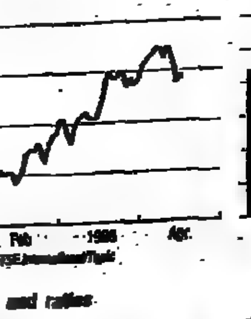
Retail sales numbers are due on Thursday and first-quarter gross domestic product figures on Friday.

Some dismiss the concerns over the possibility of another rise in UK interest rates as overplayed, but still see potential downside in the short term.

One market maker said that 183 points off the Footsie last week was no bad thing. "The market will be healthier for it and there is potential for another 200 points as well," he said. Strategists see the market as more likely to tread water in the short term.

Turnover at the 6pm cut-off point was 632m.

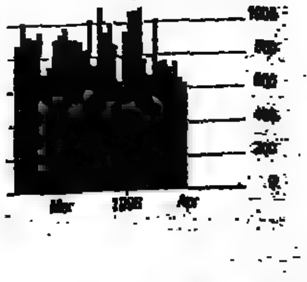
**FTSE All-Share index**



Source: FTSE International/Teletek

**Equity shares traded**

Turnover by volume (million)



**Indices and ratios**

| | | |
|---|---|---|
| FTSE 100 | 5954.1 | +31.9 |
| FTSE 250 | 5526.9 | +7.7 |
| FTSE 350 | 2861.0 | +13.2 |
| FTSE All-Share | 2789.47 | +12.31 |
| FTSE All-Share yield | 2.79 | 2.80 |
| FT 30 | 3789.5 | +24.9 |
| FTSE Non-Fins p/e | 22.40 | 22.25 |
| FTSE 100 Fut Jun | 5992.0 | +20.0 |
| 10 yr Gilt yield | 5.83 | 5.82 |
| Long gilt/equity yld ratio | 2.09 | 2.08 |

**Best performing sectors**

| | | |
|---|---|---|
| 1 | Tobacco | +1.5 |
| 2 | Alcoholic Beverages | +1.3 |
| 3 | Transport | +1.2 |
| 4 | Retailers Food | +1.2 |
| 5 | Electricity | +1.1 |

**Worst performing sectors**

| | | |
|---|---|---|
| 1 | Life Assurance | -0.5 |
| 2 | Other Financial | -0.3 |
| 3 | Leisure & Hotels | [illegible] |
| 4 | Oil Integrated | -0.1 |
| 5 | Resources | -0.1 |

# Akzo bid boosts chemicals

**COMPANIES REPORT**

By Peter John, Martin Brice and Joel Kibazo

Confirmation that Akzo of the Netherlands is to pay 450p a share for Courtaulds pushed the latter up 7¼ to 450p.

The shares were higher in early trading as the bulls pushed their case that Akzo's move was not the endgame but merely the opening gambit.

Martin Evans at Sutherlands said: "At 450p and with third-party interest very high, this stock is as cheap as chips."

But others were convinced that it was checkmate for one of the UK's most famous chemicals companies. One disconsolate analyst said: "By raising the white flag to Akzo, Courtaulds management are underselling some premium quality assets."

Bank of Scotland headed higher as investors took a view on the company's full-year figures due tomorrow.

The bank is expected to announce a profit of £734m after exceptionals compared with £666.4m the previous year. But Merrill Lynch has just upgraded its end of year figure by 3 per cent to £781m and its 1998 and 1999 figures by 5 per cent to £875m and £934m.

Merrill is believed to be around the top of the range of estimates, at least for this year's figure. It has been reworking its numbers in response to the benign climate of stable margins, flat provisions and rapid asset growth that was reflected in the recent round of big bank results. The shares ended the day 11 up at 778p, one of the biggest percentage gains in the sector.

Centrica fell 1½ to 106¼p as the recent downgrade from "buy" to "hold" by SBC Warburg Dillon Read weighed on the stock. There is also speculation that the gas supplier, which trades as British Gas, might be planning to expand within the electricity sector by buying a power station. Some analysts argue that acquisitions in the sector are unlikely to be earnings enhancing.

Among transport stocks, two were among the leading performers in the FTSE 100. British Airways benefited from two strands of thought. The stock gained 17½ to 625p in 6.4m traded after a report that the company was to create 15,000 jobs in three years, 7,000 of them within a year, following an increase in business at Heathrow and Gatwick airports.

There was also said to be growing anticipation of EU approval of the planned alliance with American Airlines.

Positive sentiment on air travel saw Air London up 18½ at 335p, although BAA, seen as more of a retailing stock, was merely firmer at 615½p.

Railtrack pushed through the £10 level as the stock rose 42½ to £10.05½p following favourable weekend press comment.

The continued strength of sterling, which remained stubbornly above the DM3 level, continued to hurt shares in manufacturers exposed to overseas earnings. LucasVarity was also affected by a report that it was to pull out of £300m discussions to purchase South Mando, the Korean brakes maker, after disagreements over price. LucasVarity shares were off 7¼ at 253¾p.

Rolls-Royce, which hedges part of its exposure to sterling strength, was down 2 at 266p, although British Steel rose 2 to 147¾p following reports that it could settle its accounts in euros to minimise the impact of currency movements on its profits.

SmithKline Beecham bounced 10 to 731p ahead of figures today as SBC Warburg Dillon Read raised the stock to "add" from "hold". The shares have fallen sharply over the past five trading days on disappointment at the outcome of the latest research and development meetings held by the company in London and New York.

In contrast with SmithKline, Glaxo Wellcome fell 12 at £16.48 and Zeneca was flat at £25.

British Biotech fell 2¾ to 56¾ after the company confirmed it was under investigation by the US Securities & Exchange Commission and said it was instigating disciplinary proceedings against its head of clinical trials.

## Pace speeds up

Pace Micro was up 7½ to 76p after Sky Network, the New Zealand pay television company, said Pace would supply it with digital decoding equipment.

International Greetings, the Aim-traded greetings card company, benefited from a tip-sheet push and gained 60 to 457½p. Volume in the illiquid stock was said to be small, however.

Mice Group was firmer at 17¼p in brisk trade of 2.4m shares after the conferences and exhibitions company unveiled a 39 per cent pre-tax rise to £1.7m. Analysts were said to be upgrading forecasts for this year from about £2m to about £2.25m.

Two of the UK's biggest food retailers Tesco and J Sainsbury moved ahead after Goldman Sachs reiterated its positive stance on both stocks. The former, which reports full year figures today, advanced 15 to 597p, while the latter hardened 5 to 487p.

Tesco is expected to report profits around the £826m mark today.

Analysts At Goldman Sachs said: "Our preferred stocks are Tesco and J Sainsbury." The broker also rates Safeway, up 3¾ to 368¾p, and Asda Group, 1¼ lighter at 211¾p.

DFS Furniture was the best-performing stock in the FTSE 250 index, gaining 23½p or nearly 7.7 per cent to 329p ahead of interim figures tomorrow. Profits are expected to be about £17.8m.

Dealers reported active buying of the stock by a leading institution. Volume was 2.1m with the demand said to have helped clear a large sell order.

Music giant EMI Group rose to the top of the FTSE 100 best performers list on speculation that Canada's Seagram was in talks to buy the company.

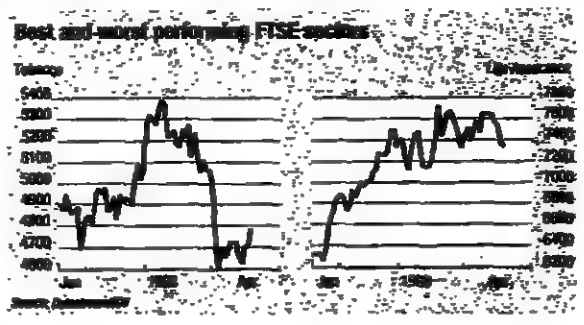
The shares jumped 24½ or 5.26 per cent to 490p in-trade of 1.8m.

However, analysts doubted that the Canadian group was about to make such a move and attributed the advance to a recovery after a period of sustained weakness in the shares.

In drinks, Diageo firmed 7½ to 682 on talk of an impending disposal. Allied Domecq rose 11¼ to 621¼ on reports it had rejected an approach for its retailing division.

But Cadbury Schweppes fell 13½ to 860p with Morgan Stanley said to have downgraded its recommendation on the stock to "neutral" from "outperform".

**Best and worst performing FTSE sectors**



Source: Datastream/ICV

## FT 30 INDEX

| | Apr 20 | Apr 17 | Apr 16 | Apr 15 | Apr 14 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3789.5 | 3764.6 | 3818.9 | 3840.3 | 3848.0 | [illegible] | 3872.4 | 3788.1 |
| Ord. div. yield | 2.89 | 2.91 | 2.87 | 2.86 | 2.84 | 3.90 | 4.22 | [illegible] |
| P/E ratio net | 24.55 | 24.39 | 24.70 | 24.86 | 24.97 | 17.08 | [illegible] | 15.80 |
| P/E ratio nil | 24.33 | 24.17 | 24.48 | 24.66 | 24.75 | 16.82 | 28.84 | 15.71 |

FT 30 since compilation: high 3857.0 06/04/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

| Open | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 3788.4 | 3794.4 | 3782.5 | 3789.3 | 3794.9 | 3791.5 | 3780.1 | 3785.9 | 3778.9 | 3803.0 | 3778.1 |

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## STOCK MARKET TRADING DATA

| | Apr 20 | Apr 17 | Apr 16 | Apr 15 | Apr 14 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 60,948 | 61,623 | 63,668 | 68,942 | 72,424 | 47,801 |
| Equity turnover (£m)† | - | 2569.9 | na | 2977.5 | 2858.3 | 1969.8 |
| Equity bargains† | - | 52,622 | na | 57,482 | 67,898 | [illegible] |
| Shares traded (m)† | - | 705.2 | na | 777.3 | 711.8 | 660.4 |
| Total market bargains‡ | - | [illegible] | 60,940 | na | 69,116 | na |
| Total turnover (£m)‡ | - | 3619.9 | 4065.3 | na | 3874.5 | na |
| Total shrs traded (m)‡ | 632 | 927 | 928.5 | na | 943.3 | na |
| Tradepoint turnover (£m) | 12.8 | 19.9 | 33.3 | 33.4 | 24.6 | 2.76 |
| Tradepoint shrs traded | 4,144 | 10,678 | 5,866 | 8,338 | 3,698 | 440 |

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 1,014 | Total Highs | 157 | Total contracts | 22,643 |
| Total Falls | 881 | Total Lows | 49 | Calls | 11,180 |
| Same | 1,405 | | | Puts | 11,463 |

Apr 20 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 6025.0 | 5992.0 | +15.0 | 6055.0 | 5970.0 | 11033 | [illegible] |
| Sep | | 6071.0 | +16.0 | | | 0 | 7811 |
| Dec | | 6165.0 | +16.0 | | | 0 | 4 |

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | | 5571.0 | +8.0 | | | 0 | 5913 |

■ FTSE 100 INDEX OPTION (LIFFE) (*5940) £10 per full index point

| | 5750 C | 5750 P | 5800 C | 5800 P | 5850 C | 5850 P | 5900 C | 5900 P | 5950 C | 5950 P | 6000 C | 6000 P | 6050 C | 6050 P | 6100 C | 6100 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| May | 289 | 75 | 251½ | 88 | 214½ | 101½ | 181½ | 121 | 151½ | 142 | 121 | 163½ | [illegible] | 182 | 77½ | 221½ |
| Jun | 382½ | 143 | 345½ | 155 | 310 | 178 | 281½ | 197 | 250 | 218½ | 223½ | 237½ | 192½ | 261 | 178 | 290½ |
| Jul | 428½ | 173 | 405½ | 190 | 376½ | 209 | 346½ | 228½ | 318½ | 248½ | 292½ | 269 | 257 | 290½ | 234½ | 313 |
| Aug | 465 | 194½ | 488½ | 217½ | 442 | 240 | 405½ | 263 | 379 | 290 | 352½ | 310 | 328 | 334½ | 304 | 363½ |
| Dec† | | | 671 | 333 | | | 598½ | 390 | | | 544½ | 398½ | | | 461 | 443½ |

Calls 832 Puts 908

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 5775 C | 5775 P | 5825 C | 5825 P | 5875 C | 5875 P | 5925 C | 5925 P | 5975 C | 5975 P | 6025 C | 6025 P | 6075 C | 6075 P | 6125 C | 6125 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| May | 265½ | 76½ | 229½ | 92 | 198½ | 108 | 164½ | 120½ | 136 | 147½ | 110 | 172 | 87½ | 199 | [illegible] | 229½ |
| Jun | 365 | 150 | 328½ | 164½ | 295 | 180 | 263½ | 197 | 235 | 218 | 206½ | 238 | 182½ | 264½ | [illegible] | 298½ |
| Jul | 435 | 175 | 391 | 194 | 358½ | 211½ | 327½ | 230½ | 299 | 251 | 268½ | 272½ | 243½ | 298½ | 218½ | 321½ |
| Sep | | | 508½ | 284 | | | 446½ | 298½ | | | 381½ | 330½ | | | 326½ | 381 |
| Dec† | | | 646½ | 324 | | | 582½ | 353 | | | 522 | 386 | | | 488½ | 428 |

Calls 5,030 Puts 4,671 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1998 High | 1998 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 668.4 | 890 | 715 | [illegible] | 865 | +45 | - | - | - | - |
| [illegible] | F.P. | - | 100½ | 97½ | Aberdeen Convble C | 99½ | | - | - | - | - |
| *100 | F.P. | 30.7 | 102 | 100 | Advent 2 VCT | 102 | | - | - | - | - |
| - | F.P. | 67.7 | 149 | 141½ | †Desire Petroleum | 143 | -1 | - | - | - | - |
| - | F.P. | - | 12 | 4 | [illegible] Wts | 4½ | | - | - | - | - |
| - | F.P. | 487.9 | 188½ | 185½ | Express Dairies | 186½ | [illegible] | [illegible] | 1.5 | 6.6 | 13.7 |
| §255 | F.P. | 231.4 | 498½ | 408 | [illegible] IT | 482 | [illegible] | - | - | - | 79.1 |
| - | F.P. | 4.90 | 3½ | [illegible] | [illegible] | 3 | | - | - | - | - |
| - | F.P. | 19.5 | 105 | 88½ | INVESCO Eng Opps | 105 | +3 | - | - | - | - |
| - | F.P. | 13.4 | 101½ | 99 | Do Zero Dvd Pf | 101½ | +¼ | - | - | - | - |
| - | F.P. | 30.5 | 110½ | 103 | Do 8.5% Cnv 2005 | 110½ | +2 | [illegible] | - | 7.7 | - |
| - | F.P. | 164.8 | 355½ | 328 | LLP Group | 341½ | [illegible] | L4.7 | 2.6 | 1.7 | 27.5 |
| §50 | F.P. | 3.25 | 52½ | 50½ | [illegible] Growth Tst | 52½ | | - | - | - | - |
| 100 | F.P. | 30.0 | 97½ | 97½ | Murray VCT 3 | 97½ | | - | - | - | - |
| - | F.P. | 49.3 | 210½ | 153 | Ottakar's | 201½ | +2 | L2.5 | 3.2 | 1.6 | 13.8 |
| - | F.P. | 105.6 | 295 | 276½ | Oxford Glyco | 280½ | [illegible] | - | - | - | - |
| - | F.P. | 16.0 | 92½ | 90 | Quester VCT 2 | 90 | | 12.4 | - | 8.3 | - |
| - | F.P. | 7.00 | 110 | 65½ | †[illegible] | 70 | +½ | - | - | - | - |
| - | F.P. | - | 34½ | 34½ | Transport Dev § | 34½ | | - | - | - | - |
| §50 | F.P. | 9.50 | 50½ | [illegible] | [illegible] | 47½ | | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## FTSE GOLD MINES INDEX

| | Apr 17 | % chg on day | Apr 16 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (33) | 1214.88 | -0.7 | 1223.18 | 1559.16 | 2.08 | - | [illegible] | [illegible] |
| ■ Regional Indices | | | | | | | | |
| Africa (14) | 1244.01 | +1.4 | 1227.33 | 1892.07 | 4.57 | 27.44 | 1884.26 | 921.76 |
| Australasia (7) | 1502.13 | +1.0 | 1487.83 | 1800.23 | 2.24 | 20.83 | 1880.86 | 933.60 |
| North America (11) | 1179.50 | -1.8 | 1200.98 | 1447.12 | 1.04 | 44.10 | 1574.16 | 864.80 |

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## FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | Apr 20 | Day's chge% | Apr 17 | Apr 16 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5954.1 | +0.5 | 5922.2 | 6002.0 | 4320.7 | 2.74 | 2.32 | 2.07 | 21.98 | 58.35 | 2598.63 |
| FTSE 250 | 5526.9 | +0.1 | 5519.2 | 5536.8 | 4518.2 | 2.95 | 2.48 | 2.09 | 20.39 | 44.34 | 2259.81 |
| FTSE 250 ex IT | 5567.2 | +0.1 | 5563.4 | 5578.8 | [illegible] | 3.04 | 2.56 | 2.14 | 19.22 | 45.70 | 2385.77 |
| FTSE 350 | 2861.0 | +0.5 | 2847.8 | 2880.7 | 2128.7 | 2.78 | 2.36 | 2.07 | 21.67 | 27.06 | 2546.75 |
| FTSE 350 ex IT | 2865.4 | +0.5 | 2852.5 | 2885.5 | - | 2.80 | 2.37 | 2.08 | 21.43 | 27.36 | 1309.32 |
| FTSE 350 Higher Yield | 2815.9 | [illegible] | 2798.8 | 2826.8 | 2089.0 | 3.74 | 3.20 | 1.98 | 17.05 | 33.89 | 2140.80 |
| FTSE 350 Lower Yield | 2920.3 | +0.3 | 2911.1 | 2948.3 | [illegible] | 2.06 | 1.71 | 2.28 | 27.28 | 21.83 | 2118.11 |
| FTSE SmallCap | 2627.10 | +0.1 | 2623.88 | 2630.34 | 2295.65 | 2.89 | 2.34 | 1.34 | 28.04 | 18.20 | 2275.81 |
| FTSE SmallCap ex IT | 2618.43 | — | 2618.09 | 2623.06 | 2306.18 | 3.00 | 2.50 | 1.30 | 25.27 | 18.67 | 2290.67 |
| FTSE All-Share | 2789.47 | +0.4 | 2777.16 | 2807.68 | 2093.91 | 2.79 | 2.35 | 2.04 | 21.97 | 25.85 | 2521.77 |
| FTSE All-Share ex IT | 2796.10 | +0.4 | 2784.14 | 2814.94 | - | 2.81 | 2.37 | 2.06 | 21.80 | 26.33 | 1300.48 |

■ FTSE Actuaries Industry Sectors

| | Apr 20 | Day's chge% | Apr 17 | Apr 16 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 RESOURCES(22) | 4661.38 | -0.1 | 4666.53 | 4677.58 | 4023.00 | 3.21 | 2.77 | 1.85 | 21.09 | 60.95 | 2147.81 |
| 12 Extractive Industries(8) | [illegible] | +0.1 | 3289.50 | 3283.74 | 4082.27 | 4.13 | 3.81 | 2.10 | 14.45 | 78.82 | 1039.38 |
| 15 Oil, Integrated(4) | 5206.70 | -0.1 | 5216.19 | 5206.66 | 4130.66 | 3.20 | 2.74 | 1.80 | 21.71 | 82.01 | 2456.70 |
| 16 Oil Exploration & Prod(10) | 3117.04 | -0.1 | 3120.10 | 3140.34 | 3455.70 | 1.85 | 1.53 | 1.92 | 35.15 | 29.18 | 1935.34 |
| 20 GEN INDUSTRIALS(238) | 2214.14 | +0.2 | 2208.84 | 2221.89 | 1970.37 | 3.37 | 2.85 | 2.17 | 17.13 | 23.31 | 1298.92 |
| 21 Construction(35) | 1636.14 | +0.2 | 1636.17 | 1627.63 | 1350.24 | 2.86 | 2.49 | 2.51 | 18.88 | 13.72 | 1457.01 |
| 22 Building Matls & Merchs(27) | 1835.85 | +0.2 | 1833.07 | 1841.89 | 1892.89 | 4.07 | 3.47 | 2.02 | 15.20 | 26.50 | 987.98 |
| 23 Chemicals(24) | 2898.03 | +0.7 | 2878.83 | 2886.17 | 2228.81 | 3.34 | 3.02 | 1.84 | 21.04 | 30.36 | 1478.15 |
| 24 Diversified Industrials(10) | 1454.26 | +0.7 | 1444.84 | 1446.49 | 1455.05 | 3.87 | 3.82 | 1.35 | 14.37 | 17.53 | 982.05 |
| 25 Electronic & Elect Equip(35) | 2453.36 | -0.1 | 2455.42 | 2485.95 | 2153.32 | 3.52 | 2.85 | 1.82 | 21.92 | 18.39 | 1350.37 |
| 26 Engineering(68) | 2983.22 | +0.3 | 2975.13 | 2995.08 | 2557.48 | 3.17 | 2.82 | 2.33 | 18.85 | 32.11 | 1920.13 |
| 27 Engineering, Vehicles(10) | 4134.05 | -0.1 | 4137.79 | 4180.86 | 2767.95 | 2.15 | [illegible] | 3.31 | 17.55 | 27.83 | 2270.94 |
| 28 Paper, Pckg & Printing(23) | 2220.17 | -0.1 | 2221.79 | 2229.59 | 2442.78 | 4.53 | 3.89 | 2.19 | 12.53 | 27.24 | 988.62 |
| 30 CONSUMER GOODS(92) | 5858.25 | +0.4 | 5836.94 | 5710.38 | 4224.38 | 2.55 | 2.31 | 1.83 | 26.74 | 64.70 | 2235.88 |
| 32 Alcoholic Beverages(6) | 3894.89 | +1.3 | 3845.41 | 3887.35 | 2854.78 | 2.89 | 2.85 | 1.85 | 22.60 | 55.09 | 1621.54 |
| 33 Food Producers(23) | 3985.92 | +0.1 | 3983.67 | 4031.46 | 2874.07 | 2.71 | 2.31 | 1.90 | 24.31 | 43.85 | 1984.72 |
| 34 Household Goods & Texts(24) | 3604.81 | +0.8 | 3577.58 | 3616.27 | 2882.85 | 3.04 | 2.71 | 2.22 | [illegible] | 40.14 | 1516.69 |
| 36 Health Care(14) | 2345.70 | +1.1 | 2320.32 | 2381.85 | 2234.44 | 2.16 | 1.95 | 2.40 | 24.10 | 9.48 | 1490.44 |
| 37 Pharmaceuticals(20) | 9443.33 | — | 9438.84 | 9544.01 | 6861.62 | 1.94 | 1.71 | 1.70 | 37.85 | 86.22 | 3373.92 |
| 38 Tobacco(3) | 4777.57 | +1.5 | 4707.89 | 4698.56 | 4410.85 | 5.02 | 4.75 | 1.85 | 13.48 | 121.01 | 1334.77 |
| 40 SERVICES(270) | 3417.11 | +0.7 | 3393.33 | 3437.25 | 2817.81 | [illegible] | 2.01 | 2.00 | 25.27 | 17.01 | 1871.48 |
| 41 Distributors(28) | 2938.80 | +1.1 | 2907.47 | 2985.70 | 2743.88 | 3.23 | 2.57 | 1.98 | 19.46 | 26.68 | 1151.08 |
| 42 Leisure & Hotels(33) | 3941.50 | -0.2 | 3948.81 | 3957.93 | 2404.43 | 2.54 | [illegible] | 2.39 | 20.83 | 50.51 | 2231.71 |
| 43 Media(47) | 4454.19 | +0.7 | 4422.12 | 4444.08 | 4185.91 | 2.31 | 1.94 | 2.17 | 24.96 | 44.63 | 1686.64 |
| 44 Retailers, Food(13) | [illegible] | +1.2 | 3064.74 | 3111.80 | 2008.15 | 2.72 | 2.18 | 2.27 | 20.25 | 5.74 | 2089.70 |
| 45 Retailers, General(46) | 2381.01 | +0.2 | 2376.12 | 2398.55 | 2071.78 | 3.04 | 2.43 | 2.22 | 18.57 | 11.83 | 1440.91 |
| 46 Telecommunications(10) | 3765.41 | +1.0 | 3726.12 | 3826.15 | 2278.42 | 2.34 | 1.89 | 1.51 | 35.43 | 4.04 | 1829.85 |
| 47 Breweries, Pubs & Rest.(24) | 4297.33 | +0.1 | 4294.66 | 4340.72 | 3261.17 | 2.75 | [illegible] | 2.40 | 18.96 | 16.03 | 2180.74 |
| 48 Support Services(62) | 4671.82 | +0.6 | 4631.89 | 4685.00 | 2851.31 | 1.22 | 1.00 | 2.56 | 39.84 | 13.80 | 3201.76 |
| 49 Transport(23) | 3545.03 | +1.2 | 3507.08 | 3551.68 | 2792.44 | 2.90 | 2.37 | 1.29 | 33.27 | 23.99 | 1575.58 |
| 60 UTILITIES(23) | 3782.32 | +0.6 | 3759.71 | 3769.28 | 2747.23 | 4.11 | 3.29 | 1.87 | 16.24 | 6.35 | 1783.76 |
| 62 Electricity(9) | 4260.97 | +1.1 | 4215.45 | 4205.46 | 2994.83 | 4.38 | 3.50 | 2.17 | 13.14 | 7.26 | 2458.34 |
| 64 Gas Distribution(2) | 2750.89 | — | 2750.82 | 2754.12 | 1626.73 | 2.37 | 1.90 | ‡ | ‡ | 0.00 | 1575.67 |
| 68 Water(12) | 3395.85 | +0.3 | 3386.42 | 3432.36 | 2342.74 | [illegible] | 4.02 | 2.29 | 11.29 | 10.28 | 2063.04 |
| 69 NON-FINANCIALS(608) | 2754.40 | +0.4 | 2742.18 | 2767.53 | [illegible] | 2.85 | 2.42 | 1.89 | 22.40 | 22.58 | 2234.92 |
| 70 FINANCIALS(103) | 5843.17 | +0.4 | 5820.89 | 5920.28 | 3837.03 | 2.72 | 2.24 | 2.33 | 19.86 | 74.61 | 2702.80 |
| 71 Banks, Retail(12) | 8497.80 | +0.6 | 8445.70 | 8606.75 | 5862.95 | 2.77 | 2.22 | 2.29 | 19.67 | 120.04 | 2976.29 |
| 73 Insurance(17) | 2816.50 | +0.4 | 2805.02 | 2821.70 | 1828.59 | 3.01 | [illegible] | 2.92 | 14.21 | 38.12 | 2318.86 |
| 74 Life Assurance(6) | [illegible] | -0.5 | 7398.61 | 7520.80 | 4510.29 | 2.59 | 2.20 | 2.57 | 19.00 | 101.26 | 3280.02 |
| 77 Other Financial(25) | 5100.95 | -0.3 | 5116.33 | 5188.72 | 3087.14 | 2.14 | 1.76 | 2.20 | 26.58 | 34.96 | 3094.59 |
| 79 Property(40) | 2379.30 | +0.6 | 2365.23 | 2373.67 | 1853.26 | 2.73 | 2.26 | 1.45 | 31.61 | 10.17 | 1552.53 |
| 80 INVESTMENT TRUSTS(117) | 3943.00 | +0.9 | 3907.02 | 3940.14 | 3228.50 | 2.00 | 1.62 | 1.18 | 52.70 | 21.83 | 1432.61 |
| 89 FTSE All-Share(861) | 2789.47 | +0.4 | 2777.16 | 2807.68 | 2093.91 | 2.79 | 2.35 | 2.04 | 21.97 | 25.85 | 2521.77 |
| 105 FTSE All-Share ex IT(744) | 2796.10 | +0.4 | 2784.14 | 2814.94 | - | 2.81 | 2.37 | 2.06 | 21.80 | 26.33 | 1300.48 |
| Information Technology | 1439.95 | +0.1 | 1438.15 | 1450.23 | - | 0.60 | 0.48 | [illegible] | 63.29 | 2.43 | 1442.59 |
| FTSE Fledgling | 1408.88 | +0.2 | 1405.75 | 1408.49 | 1367.93 | 3.16 | 2.61 | 1.43 | 28.20 | 9.73 | 1554.64 |
| FTSE Fledgling ex IT | 1425.73 | +0.2 | 1423.28 | 1425.26 | 1333.32 | 3.47 | 2.81 | 1.48 | 24.38 | 10.87 | 1578.90 |
| FTSE AIM | 1069.2 | +0.2 | 1066.7 | 1066.3 | - | 1.14 | 0.91 | 0.54 | 80.00† | 3.02 | 867.15 |

■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | - | 5978.8 | 5984.6 | 5973.8 | 5984.2 | 5967.2 | 5948.1 | 5953.7 | 5941.2 | 5993.3 | 5932.0 |
| FTSE 250 | - | 5524.0 | 5527.3 | 5524.8 | 5530.2 | 5529.0 | 5529.1 | [illegible] | 5525.6 | 5530.7 | 5520.1 |
| FTSE 350 | - | 2869.6 | 2865.1 | 2868.5 | 2873.1 | 2868.3 | 2858.1 | 2860.8 | 2855.8 | 2876.4 | 2852.2 |
| FTSE SmallCap | 2624.67 | 2625.02 | 2625.89 | 2626.51 | 2626.13 | 2626.94 | 2627.75 | 2627.37 | 2627.16 | 2627.93 | 2624.58 |
| FTSE All-Share | - | 2797.16 | 2793.17 | 2796.27 | 2800.45 | 2784.38 | 2786.83 | 2789.34 | 2784.74 | 2803.45 | 2781.44 |

Time of FTSE 100 Day's high: [illegible] Day's low: [illegible]. FTSE 100 1997 High: 6105.8 (06/04/98) Low: 5000.7 (12/01/98)
Time of FTSE All-Share Day's high: [illegible] Day's low: [illegible]. FTSE All-Share 1997 High: 2847.10 (06/04/98) Low: 2369.32 (12/01/98)
Further information is available on http://www.ftse.com
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† Sector P/E ratios greater than 80 and net covers greater than 10 are not shown. ‡ Values are negative. [illegible]

FTSE INTERNATIONAL

## TRADING VOLUME

■ Major Stocks yesterday

| | Vol 000's | Closing price | Day's change |
|---|---|---|---|
| 3i | 882 | 880½ | +12½ |
| AMVESCAP | 405 | 732 | -13 |
| ASDA Group | 4,800 | 211¾ | -1¼ |
| Abbey National | 2,300 | 1162 | |
| Alliance & Leicester | 1,000 | 865 | +4 |
| Allied Domecq | 2,800 | 621¼ | +11¼ |
| Assoc. Brit. Foods | 894 | [illegible] | [illegible] |
| BAA | 1,400 | 615½ | +½ |
| BAT Inds. | 8,400 | 570 | [illegible] |
| BOC | 3,000 | [illegible] | +1 |
| BG | 7,100 | [illegible] | [illegible] |
| BP | 8,800 | [illegible] | [illegible] |
| BSkyB | 1,800 | 438 | |
| BT | 5,800 | 646 | +12½ |
| BTR | 4,300 | 201¾ | +7½ |
| Bank of Scotland | 4,200 | 778 | +11 |
| Barclays | 2,100 | 1762 | [illegible] |
| Bass | 7,100 | 1128 | [illegible] |
| Billiton | 3,700 | [illegible] | [illegible] |
| Blue Circle | 1,700 | 349 | [illegible] |
| Boots | 978 | [illegible] | [illegible] |
| Brit. Aerospace | 916 | [illegible] | [illegible] |
| British Airways | 6,400 | 625 | +17½ |
| British Energy | 1,700 | 557 | -7 |
| British Land | 785 | [illegible] | -7 |
| British Steel | 6,500 | 147¾ | +2 |
| Cable & Wireless | 3,100 | 716 | [illegible] |
| Cadbury Schweppes | 4,100 | 860 | -13½ |
| Carlton Comms. | 1,400 | 442 | |
| Centrica | 5,700 | 106¼ | -1½ |
| Comm. Union | 1,400 | [illegible] | [illegible] |
| Compass | [illegible] | 1042 | +1 |
| Diageo | 5,600 | 682 | +7½ |
| EMI | 1,800 | 490 | +24½ |
| Energy Group | 1,700 | [illegible] | +7 |
| Enterprise Oil | [illegible] | [illegible] | [illegible] |
| Foreign & Col. I T | 1,100 | [illegible] | [illegible] |
| Gen. Accident | 781 | [illegible] | [illegible] |
| General Electric | 3,600 | [illegible] | [illegible] |
| Glaxo Wellcome | 4,800 | 1648 | -12 |
| Granada | 2,700 | [illegible] | [illegible] |
| GUS | 1,700 | [illegible] | [illegible] |
| GRE | 1,600 | [illegible] | [illegible] |
| GKN | 382 | [illegible] | [illegible] |
| HSBC (75p shs) | 3,500 | [illegible] | [illegible] |
| HSBC (HK$10) | 1,300 | [illegible] | [illegible] |
| Halifax | 2,600 | 845 | [illegible] |
| Hays | 577 | [illegible] | [illegible] |
| ICI | 1,100 | 1110 | +13 |
| Kingfisher | 977 | 1112 | +6 |
| Ladbroke | 1,300 | [illegible] | [illegible] |
| Land Securities | 763 | 1072 | +15 |
| Legal & General | 2,300 | 737 | |
| Lloyds TSB | 8,800 | [illegible] | [illegible] |
| LASMO | 1,000 | [illegible] | [illegible] |
| LucasVarity | 1,400 | 253¾ | -7¼ |
| Marks & Spencer | 2,800 | 573 | [illegible] |
| Misys | 150 | [illegible] | [illegible] |
| NatWest Bank | 1,700 | [illegible] | [illegible] |
| National Grid | 2,300 | [illegible] | [illegible] |
| National Power | [illegible] | [illegible] | [illegible] |
| Next | 1,300 | [illegible] | [illegible] |
| Northern Rock† | 1,300 | 623 | -11 |
| Norwich Union | 2,800 | [illegible] | [illegible] |
| Nycomed Amersham | 161 | 2217 | [illegible] |
| Nycomed Amer NV | 4 | 2210 | [illegible] |
| Orange | [illegible] | [illegible] | [illegible] |
| Pearson | 279 | [illegible] | +13 |
| P & O | 1,600 | [illegible] | -7 |
| PowerGen | [illegible] | 779 | [illegible] |
| Provident Financial | 195 | [illegible] | [illegible] |
| Prudential | 3,400 | 877 | -11 |
| RMC† | 228 | [illegible] | [illegible] |
| Railtrack | 2,500 | 1005½ | +42½ |
| Rank Group | 1,400 | [illegible] | [illegible] |
| Reckitt & Colman | [illegible] | [illegible] | [illegible] |
| Reed Intl. | 3,700 | [illegible] | +17 |
| Rentokil Initial | 8,100 | [illegible] | [illegible] |
| Reuters | 2,100 | 671 | [illegible] |
| Rio Tinto | 2,400 | [illegible] | [illegible] |
| Rolls Royce | 2,800 | 266 | -2 |
| Royal & Sun Alliance | 2,900 | [illegible] | +17 |
| Royal Bank Scotland | 1,800 | [illegible] | [illegible] |
| Safeway | 1,600 | 368¾ | +3¾ |
| Sainsbury | 1,800 | 487 | +5 |
| Schroders | 97 | [illegible] | [illegible] |
| Schroders NV | 14 | [illegible] | +14 |
| Scottish & Newcastle | 1,500 | [illegible] | [illegible] |
| Scottish Power | 1,400 | [illegible] | [illegible] |
| Severn Trent | 400 | [illegible] | [illegible] |
| Shell Transport | 11,600 | [illegible] | [illegible] |
| Siebe | 917 | [illegible] | [illegible] |
| SmithKline Beecham | [illegible] | 731 | +10 |
| Smiths Inds. | 276 | [illegible] | [illegible] |
| Southern Electric | [illegible] | [illegible] | [illegible] |
| Standard Chartered | 2,500 | [illegible] | [illegible] |
| Sun Life & Provincial | 453 | [illegible] | [illegible] |
| TI Group† | 1,700 | 524 | [illegible] |
| Tesco | 4,200 | 597 | +15 |
| Thames Water | 549 | [illegible] | +16 |
| Tomkins | 1,800 | [illegible] | [illegible] |
| Unilever | 4,300 | [illegible] | +12 |
| Utd. News & Media | 434 | [illegible] | [illegible] |
| United Utilities | 1,800 | 840 | |
| Vodafone | 4,700 | [illegible] | [illegible] |
| Whitbread | [illegible] | 1083 | [illegible] |
| Williams | [illegible] | [illegible] | [illegible] |
| Wolseley | [illegible] | 442 | [illegible] |
| Woolwich | 2,300 | 354 | |
| Zeneca | 1,400 | 2500 | |

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are rounded. Source: Estel, part of FT information.

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Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE

## PACIFIC

## AFRICA

## AMERICAS

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY APRIL 17 1998 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | THURSDAY APRIL 16 1998 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (73) | 218.42 | -0.2 | 192.19 | 181.79 | 205.24 | 222.66 | -0.7 | 3.49 | 218.88 | 191.75 | 182.33 | 205.69 | 224.16 | 243.87 | 190.26 | 217.24 |
| Austria (23) | 221.62 | -0.8 | 195.01 | 184.45 | 208.25 | 208.11 | -0.8 | 1.57 | 223.46 | 195.76 | 186.15 | 210.00 | 209.84 | 225.19 | 177.75 | 177.75 |
| Belgium (28) | 327.48 | 0.6 | 288.15 | 272.56 | 307.73 | 301.19 | 0.6 | 2.40 | 325.38 | 285.05 | 271.05 | 305.77 | 299.54 | 328.60 | 231.83 | 231.83 |
| Brazil (30) | 266.18 | 0.4 | 234.21 | 221.54 | 250.13 | 559.08 | 0.4 | 1.84 | 265.18 | 232.31 | 220.90 | 249.20 | 556.73 | 322.44 | 184.94 | 237.08 |
| Canada (120) | 247.95 | 0.2 | 218.18 | 206.38 | 233.01 | 256.81 | -0.3 | 1.56 | 247.41 | 216.74 | 206.10 | 232.50 | 257.49 | 247.98 | 182.91 | 183.90 |
| Denmark (34) | 516.00 | -0.3 | 454.04 | 429.47 | 484.89 | 483.67 | -0.3 | 1.25 | 517.77 | 453.60 | 431.32 | 486.57 | 485.33 | 521.81 | 350.99 | 350.99 |
| Finland (28) | 413.78 | -0.2 | 364.10 | 344.40 | 388.84 | 476.51 | -0.2 | 1.89 | 414.54 | 363.16 | 345.32 | 389.56 | 477.37 | 417.62 | 244.81 | 244.81 |
| France (79) | 301.94 | 0.3 | 265.68 | 251.30 | 283.73 | 286.90 | 0.2 | 2.04 | 301.14 | 263.82 | 250.88 | 283.00 | 288.22 | 305.19 | 209.81 | 216.48 |
| Germany (58) | 282.14 | -0.9 | 248.26 | 234.82 | 265.12 | 265.12 | -0.9 | 1.24 | 284.73 | 249.44 | 237.19 | 267.58 | 267.58 | 290.24 | 198.36 | 198.31 |
| Hong Kong, China (66) | 332.47 | -1.4 | 292.54 | 276.71 | 312.42 | 330.69 | -1.4 | 4.77 | 337.11 | 295.33 | 280.82 | 316.80 | 335.34 | 590.03 | 262.93 | 451.19 |
| Indonesia (27) | 57.70 | -1.0 | 50.77 | 48.02 | 54.22 | 286.71 | -0.3 | 2.35 | 58.26 | 51.04 | 48.53 | 54.75 | 287.70 | 254.90 | 27.67 | 227.40 |
| Ireland (16) | 545.22 | -0.8 | 479.74 | 453.78 | 512.34 | 550.52 | -0.8 | 1.76 | 548.71 | 480.70 | 457.09 | 515.65 | 554.82 | 548.71 | 326.78 | 331.34 |
| Italy (54) | 173.43 | 0.6 | 152.60 | 144.35 | 162.97 | 231.38 | 0.6 | 1.09 | 172.35 | 150.99 | 143.57 | 161.96 | 229.96 | 177.15 | 85.70 | 88.45 |
| Japan (480) | 95.89 | -0.3 | 84.37 | 79.81 | 90.10 | 79.81 | -0.4 | 0.99 | 96.18 | 84.26 | 80.12 | 90.39 | 80.12 | 141.12 | 88.52 | 111.31 |
| Malaysia (107) | 184.64 | -0.7 | 162.47 | 153.68 | 173.51 | 269.51 | 0.1 | 2.56 | 185.87 | 162.84 | 154.84 | 174.67 | 269.34 | 555.79 | 113.58 | 545.56 |
| Mexico (28) | 1690.09 | 1.5 | 1487.13 | 1406.66 | 1588.16 | 15703.07 | 1.5 | 1.47 | 1664.46 | 1458.16 | 1386.54 | 1564.17 | 15473.17 | 1901.98 | 1335.40 | 1367.83 |
| Netherlands (19) | 496.83 | 0.3 | 437.16 | 413.51 | 466.87 | 461.54 | 0.3 | 2.00 | 495.35 | 433.96 | 412.64 | 465.51 | 460.17 | 507.01 | 340.57 | 340.57 |
| New Zealand (14) | 75.62 | 0.1 | 66.54 | 62.94 | 71.06 | 71.89 | -0.9 | 4.54 | 75.54 | 66.17 | 62.92 | 70.98 | 72.53 | 96.47 | 71.49 | 84.52 |
| Norway (38) | 340.92 | 0.2 | 299.98 | 283.75 | 320.36 | 347.07 | 0.3 | 1.80 | 340.19 | 298.03 | 283.39 | 319.69 | 346.16 | 374.64 | 281.62 | 292.29 |
| Philippines (22) | 99.72 | 0.6 | 87.75 | 83.00 | 93.71 | 188.60 | -0.4 | 1.09 | 99.18 | 86.89 | 82.62 | 93.21 | 169.31 | 179.40 | 57.54 | 177.75 |
| Singapore (42) | 211.81 | 0.2 | 186.37 | 176.29 | 199.03 | 156.17 | 0.0 | 1.95 | 211.44 | 185.23 | 176.13 | 198.70 | 156.19 | 401.75 | 144.01 | 382.42 |
| South Africa (43) | 337.12 | -0.1 | 296.64 | 280.59 | 316.79 | 371.48 | -0.2 | 2.39 | 337.48 | 295.64 | 281.12 | 317.13 | 372.26 | 365.52 | 227.68 | 353.25 |
| Spain (31) | 389.85 | 0.8 | 343.04 | 324.48 | 366.34 | 453.34 | 0.8 | 1.69 | 386.76 | 338.82 | 322.18 | 363.45 | 449.88 | 396.69 | 218.53 | 218.53 |
| Sweden (49) | 599.17 | -0.9 | 527.22 | 498.69 | 563.04 | 688.67 | -0.7 | 1.70 | 604.67 | 529.73 | 508.71 | 568.24 | 683.54 | 610.82 | 405.00 | 421.39 |
| Switzerland (30) | 394.84 | -0.2 | 347.42 | 328.62 | 371.03 | 366.76 | -0.6 | 1.06 | 395.73 | 346.68 | 329.65 | 371.89 | 369.11 | 406.53 | 257.04 | 257.04 |
| Thailand (38) | 27.39 | 3.2 | 24.10 | 22.80 | 25.74 | 41.94 | 1.9 | 7.16 | 26.54 | 23.25 | 22.11 | 24.94 | 41.16 | 83.77 | 13.10 | 83.77 |
| United Kingdom (205) | 390.91 | -1.6 | 343.97 | 325.36 | 367.34 | 343.97 | -1.2 | 2.85 | 397.48 | 348.22 | 331.11 | 373.53 | 348.22 | 401.84 | 279.28 | 279.28 |
| USA (637) | 459.24 | 1.3 | 404.09 | 382.23 | 431.55 | 459.24 | 1.3 | 1.39 | 453.51 | 397.30 | 377.79 | 426.18 | 453.51 | 459.24 | 307.96 | 309.10 |
| Americas (818) | 418.44 | 1.2 | 366.43 | 348.61 | 391.33 | 351.73 | 1.2 | 1.40 | 411.46 | 360.46 | 342.76 | 386.67 | 347.59 | 416.44 | 281.84 | 282.92 |
| Europe (694) | 358.29 | -0.6 | 313.50 | 296.54 | 334.80 | 336.47 | -0.5 | 2.00 | 358.55 | 314.11 | 298.68 | 336.95 | 338.22 | 369.50 | 242.65 | 242.65 |
| Nordic (149) | 521.39 | -0.6 | 458.78 | 433.95 | 489.95 | 528.25 | -0.5 | 1.67 | 524.57 | 459.55 | 436.98 | 492.98 | 530.80 | 529.37 | 355.77 | 361.76 |
| Pacific Basin (870) | 106.69 | -0.4 | 93.88 | 88.80 | 100.28 | 89.47 | -0.5 | 1.66 | 107.11 | 93.83 | 89.22 | 100.65 | 89.92 | 158.99 | 95.82 | 130.37 |
| Euro-Pacific (1564) | 210.72 | -0.6 | 185.42 | 175.38 | 198.01 | 182.46 | -0.5 | 1.90 | 211.91 | 185.64 | 176.52 | 199.14 | 183.40 | 216.04 | 172.09 | 177.17 |
| North America (757) | 445.82 | 1.2 | 392.28 | 371.05 | 418.93 | 445.65 | 1.2 | 1.40 | 440.45 | 385.86 | 366.91 | 413.91 | 440.38 | 445.82 | 300.29 | 301.49 |
| Europe Ex. UK (485) | 327.92 | -0.1 | 288.54 | 272.93 | 308.15 | 322.64 | -0.1 | 1.56 | 328.20 | 287.52 | 273.40 | 308.43 | 323.12 | 333.98 | 216.94 | 217.60 |
| Pacific Ex. Japan (390) | 202.66 | -0.7 | 178.32 | 168.67 | 190.44 | 202.81 | -0.8 | 3.82 | 203.99 | 178.71 | 169.93 | 191.70 | 204.49 | 318.98 | 161.31 | 290.28 |
| World Ex. US (1786) | 215.20 | -0.5 | 189.36 | 179.11 | 202.22 | 190.35 | -0.5 | 1.89 | 216.24 | 189.44 | 180.14 | 203.21 | 191.24 | 220.18 | 175.30 | 180.96 |
| World Ex. UK (2214) | 284.69 | 0.7 | 250.49 | 236.94 | 267.51 | 280.35 | 0.6 | 1.49 | 282.81 | 247.76 | 235.59 | 265.77 | 258.75 | 287.02 | 215.94 | 215.94 |
| World Ex. Japan (1943) | 392.00 | 0.5 | 344.93 | 326.26 | 368.36 | 384.94 | 0.5 | 1.70 | 390.09 | 341.74 | 324.96 | 366.59 | 382.86 | 394.39 | 277.49 | 277.49 |
| The World Index (2423) | 293.68 | 0.4 | 258.41 | 244.43 | 275.97 | 267.95 | 0.4 | 1.63 | 292.48 | 256.23 | 243.65 | 274.86 | 266.84 | 296.57 | 221.32 | 221.32 |

## Emerging markets: IFC Investable indices

# NEW YORK STOCK EXCHANGE PRICES

4 pm close April 20

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

f Dealings suspended.

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# GLOBAL EQUITY MARKETS

## US INDICES

| Dow Jones | Apr 17 | Apr 16 | Apr 15 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 9167.50 | 9076.57 | 9162.27 | 9167.50 (17/4) | 7580.42 (9/1) | 9167.50 (17/4/98) | 41.22 (8/7/32) |
| Home Bonds | 105.40 | 105.36 | 105.25 | 105.48 (15/1) | 104.92 (28/1) | 105.48 (15/1/98) | 54.99 (1/10/81) |
| Transport | 3585.28 | 3686.02 | 3651.90 | 3686.02 (16/4) | 3194.36 (9/1) | 3686.02 (16/4/98) | 13.23 (8/7/32) |
| Utilities | 289.58 | 288.22 | 287.09 | 291.18 (2/4) | 262.68 (9/1) | 291.18 (2/4/98) | 16.53 (8/7/32) |

DJ Ind. Day's high 9213.58 (9204.13) Low 9010.66 (8978.92) (Theoretical)
Day's high 9167.50 (9164.78) Low 9052.91 (9041.95) (Actual)

| Standard and Poors | Apr 17 | Apr 16 | Apr 15 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 1122.72 | 1108.17 | 1119.32 | 1122.72 (17/4) | 927.69 (9/1) | 1122.72 (17/4/98) | 4.40 (1/6/32) |
| Industrials♥ | 1298.04 | 1281.47 | 1292.82 | 1306.33 (3/4) | 1077.40 (9/1) | 1306.33 (3/4/98) | 3.52 (30/6/32) |
| Financial♥ | 139.97 | 137.88 | 140.22 | 140.63 (14/4) | 110.85 (9/1) | 140.63 (14/4/98) | 7.13 (4/8/74) |
| **Others** | | | | | | | |
| NYSE Comp. | 584.11 | 578.91 | 582.77 | 584.11 (17/4) | 487.47 (9/1) | 584.11 (17/4/98) | 4.64 (25/4/42) |
| Amex Comp | 744.37 | 739.35 | 742.48 | 747.19 (3/4) | 648.41 (12/1) | 747.19 (3/4/98) | 524.20 (15/7/96) |
| NASDAQ Cmp | 1868.80 | 1858.24 | 1868.28 | 1868.80 (17/4) | 1503.22 (9/1) | 1868.80 (17/4/98) | 54.87 (3/10/74) |
| Russell 2000 | 487.01 | 484.41 | 487.12 | 487.32 (15/4) | 410.89 (12/1) | 487.12 (15/4/98) | 123.38 (7/12/93) |

### RATIOS

| | Apr 17 | Apr 3 | Mar 27 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.53 | 1.56 | 1.59 | 1.82 |
| | Apr 15 | Apr 8 | Apr 1 | Year ago |
| S & P Ind. Div. yield | 1.31 | 1.33 | 1.31 | 1.82 |
| S & P Ind. P/E ratio | 30.69 | 30.27 | 30.64 | 21.85 |

## US DATA

### MARKET ACTIVITY

| ● Volume (million) | Apr 17 | Apr 16 | Apr 15 |
|---|---|---|---|
| NYSE | 672.290 | 706.112 | 685.020 |
| Amex | 28.877 | 28.358 | 24.785 |
| NASDAQ | 820.123 | 858.384 | 808.246 |

| NYSE | Apr 17 | Apr 16 | Apr 15 |
|---|---|---|---|
| Issues Traded | 3,487 | 3,482 | 3,516 |
| Rises | 1,759 | 990 | 1,562 |
| Falls | 1,181 | 1,980 | 1,411 |
| Unchanged | 547 | 512 | 543 |
| New Highs | 138 | 124 | 274 |
| New Lows | 18 | 22 | 18 |

### NYSE TRADING ACTIVITY — Volume : 672,290,000

#### ACTIVE STOCKS

| Friday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Cendnt | 38,849,800 | 21¾ | +2⅝ |
| Ford | 11,488,400 | 48⅞ | -⅝ |
| BayNtwks | 8,882,500 | 23 | -1 |
| Compaq | 7,451,000 | 25⅝ | -⅛ |
| Lilly | 6,621,800 | 68⅝ | +5⅝ |
| PhMor | 6,094,000 | 38⅝ | -⅛ |
| Pfizer | 5,706,000 | 105⅝ | +4⅜ |
| AT&T | 4,775,900 | 67⅛ | +⅝ |
| Merck | 4,242,200 | 120⅝ | +1⅜ |
| Exxon | 3,947,300 | 72⅛ | +1⅜ |

#### BIGGEST MOVERS

| Friday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Alza Cp A | 49½ | +5⅝ | +12.8 |
| Schrbl | 20⅞ | +2¼ | +12.4 |
| Cendnt | 21¾ | +2⅝ | +11.1 |
| Stonhome | 27⅞ | +2⅛ | +8.4 |
| Downs | | | |
| General Inc | 20⅛ | -11⅞ | -35.7 |
| Patterson | 21¾ | -2⅛ | -8.9 |
| Bravo | 10½ | -1 | -8.7 |
| Aerflx | 13¾ | -1⅛ | -7.4 |

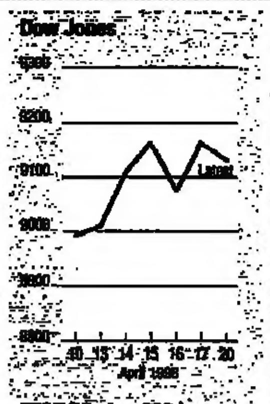
### NASDAQ TRADING ACTIVITY — Volume : 820,123,000

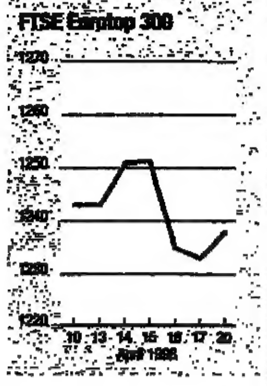
#### ACTIVE STOCKS

| Friday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Netscp | 15,232,000 | 23⅛ | -2⅛ |
| Intel | 11,179,300 | 75⅛ | +⅞ |
| ArWacE | 9,856,800 | 37⅞ | +⅜ |
| Micsft | 9,210,700 | 92⅝ | +⅞ |
| SunMic | 9,158,000 | 40⅞ | -⅛ |
| WrldCm | 9,144,500 | 44⅜ | -⅞ |
| AscendCom | 8,823,000 | 42¼ | +1⅝ |
| Excite | 5,989,500 | 75⅛ | -15⅞ |
| Yahoo | 5,871,200 | 127⅛ | -6⅝ |
| P-Com | 5,461,900 | 17⅝ | -¼ |

#### BIGGEST MOVERS

| Friday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| CmptrLrn | 12⅛ | +2¼ | +28.8 |
| Amerind | 29⅞ | +4⅝ | +19.7 |
| IDEXX | 22½ | +3⅜ | +18.0 |
| Finmnl | 56⅝ | +8¼ | +17.1 |
| Downs | | | |
| Sipex | 22⅛ | -6⅛ | -22.3 |
| Davox | 23 | -6⅛ | -21.0 |
| Spyglass | 11⅞ | -2⅝ | -18.4 |
| Excite | 75⅛ | -15⅞ | -17.4 |





## JAPAN

| | Apr 20 | Apr 17 | Apr 16 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Nikkei 225 | 15887.10 | 15703.80 | 15893.77 | 17264.34 | 14664.44 | 38915.8 | 85.25 |

Day's high: 15729.77. Day's low: 15598.95.

### TOKYO TRADING ACTIVITY — Volume : 283,000,000

#### ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Nissan Mtr | 13,052,000 | 447 | -44 |
| Np Steel Cp | 10,858,000 | 210 | |
| Sakura Bk | 7,424,000 | 458 | +8 |
| Sumo R&Dv | 6,055,000 | 660 | +30 |
| Sanyo Elect | 3,867,000 | 379 | +3 |
| Mitshs E Ind | 3,621,000 | 2185 | -30 |
| LTCB | 3,541,000 | 238 | +10 |
| Kumagai Gm | 3,511,000 | 113 | +1 |
| Mitshb Hvy | 3,477,000 | 503 | +1 |
| Mitshb Elct | 3,196,000 | 324 | -14 |

#### BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Star Micron | 553 | +85 | +18.1 |
| C.I. Kasei | 398 | +47 | +13.4 |
| Co Lee | 280 | +30 | +12 |
| Shinpo | 198 | +18 | +10 |
| Fujicopian | 428 | +39 | +10 |
| Downs | | | |
| Chuo Paperd | 101 | -15 | -12.9 |
| Ishii Iron Wk | 262 | -38 | -12.7 |
| Tobu Store | 253 | -32 | -11.2 |

## FRANCE

| | Apr 20 | Apr 17 | Apr 16 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| CAC 40 | 3885.59 | 3861.58 | 3845.94 | 3988.75 | 2862.54 | 3988.75 | 984.61 |

Day's high: 3916.07. Day's low: 3872.59.

### PARIS TRADING ACTIVITY — Volume : 349,484,488

#### ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Bull | 1,190,072 | 79 | +5.1 |
| Rhone-Pinc A | 1,002,625 | 283.6 | -6.6 |
| BNP | 944,424 | 514 | +21 |
| Axa-UAP | 754,857 | 730 | +8 |
| Total B | 574,098 | 686 | -15 |
| Fr.Telecom | 492,747 | 333 | +1 |
| Eaux (C.Gn) | 465,207 | 1085 | +5 |
| Alcatel | 438,840 | 1145 | +3 |
| Euro Disney | 428,143 | 10.05 | +0.05 |
| Usinor | 413,652 | 94 | +0.05 |

#### BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Cottage Urbn | 473 | +52.9 | +12.6 |
| Ch.Dior | 814 | +82 | +11.2 |
| BqeTranstlnt | 275 | +25 | +10 |
| Serp Recycge | 585 | +50 | +9.3 |
| Downs | | | |
| Vall | 905 | -331 | -26.8 |
| Lacy-Somer | 1261 | -259 | -17.2 |
| L'Oreal | 2392 | -268 | -10.1 |
| Bongrain | 940 | -98 | -9.4 |

## GERMANY

| | Apr 20 | Apr 17 | Apr 16 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| DAX | 5442.00 | 5268.75 | 5324.14 | 5442.00 | 4067.28 | 5442 | 931.18 |

Day's high: 5442.00. Day's low: 5357.34.

### FRANKFURT TRADING ACTIVITY — Volume : (u)

#### ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Deut.Tlkm | 1,201,267 | 45.85 | +3.45 |
| Lufthansa | 940,542 | 41.8 | +1.6 |
| Dresdner Bk | 842,933 | 99.9 | +8.4 |
| Commzbank | 628,383 | 74.3 | +2.5 |
| Daimler-Bz | 599,853 | 187.3 | +1 |
| RWE | 582,811 | 94.8 | +4.1 |
| Deut.Bank | 578,759 | 154.3 | +3.65 |
| Siemens | 574,498 | 121 | +2.5 |
| Bayer | 495,416 | 82.8 | +2.8 |
| Hoechst | 341,633 | 69.55 | +1.2 |

#### BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Bue Bdzts | 38.9 | +3.4 | +9.6 |
| Cmptr 2000 | 740 | +60 | +8.8 |
| BERU | 43.5 | +3.5 | +8.8 |
| Deut.Tlkm | 45.85 | +3.45 | +8.1 |
| Downs | | | |
| Glasswasser | 471 | -29 | -6.4 |
| Feilms & Glm | 213 | -11 | -4.9 |
| Grammer | 54.5 | -2.5 | -4.4 |
| Frailsc | 51 | -1.5 | -2.9 |

## UK

| | Apr 20 | Apr 17 | Apr 16 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| FTSE 100 | 5954.1 | 5922.2 | 6002.0 | 6105.80 | 5058.80 | 6105.8 | 986.9 |

Day's high: 5993.3. Day's low: 5922.2.

### LONDON TRADING ACTIVITY — Volume : 832,000,000

#### ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Dana Pet | 15,319,820 | 21¼ | |
| Sorth.Bctm | 13,743,120 | 731 | +10 |
| Shell T&T | 11,639,890 | 435½ | -2 |
| Lloyds TSB | 9,475,797 | 988½ | +9½ |
| Railtrack | 9,141,207 | 383 | +8 |
| BAT Inds | 8,380,842 | 570 | +10 |
| Gen Cable | 7,076,996 | 164½ | +1½ |
| BG | 7,076,665 | 302¼ | +1¼ |
| Monument Oil | 6,957,637 | 61½ | +3 |
| Oceana Mosel | 6,685,790 | 28¼ | +1¼ |

#### BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Magnum Pwr | 552½ | +107½ | +24.2 |
| Intl.Greeting | 457½ | +60 | +15.1 |
| Caliana | 13½ | +1¾ | +14.9 |
| Save Grp | 102½ | +12½ | +13.9 |
| Downs | | | |
| Grafton Hse | 27½ | -4 | -12.7 |
| Key.Software | 37½ | -5 | -11.8 |
| Aspen Grp | 115 | -15 | -11.5 |
| Aston Villa | 570 | -68 | -9.5 |

## INDEX FUTURES

| S&P 500 | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 1131.20 | 1130.30 | -0.30 | 1132.70 | 1127.70 | 110,348 | 357,510 |
| Sep | 1140.00 | 1142.50 | -0.10 | 1144.50 | 1140.00 | 156 | 10,413 |
| **Nikkei 225** | **Open** | **Sett price** | **Change** | **High** | **Low** | **Est. vol.** | **Open int.** |
| Jun | 15660.0 | 15750.0 | - | 15780.0 | 15590.0 | 16,527 | 191,263 |
| Sep | - | 15880.0 | - | - | - | - | 12,781 |

Open interest figures for previous day.

| CAC-40 (200 x Index) | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Apr | 3877.0 | 3880.0 | +14.0 | 3892.0 | 3877.0 | 331 | 35,577 |
| May | 3891.0 | 3865.5 | +14.0 | 3902.0 | 3862.5 | 611 | 2,399 |
| **DAX** | | | | | | | |
| Jun | 5368.0 | 5431.0 | +76.0 | 5458.5 | 5365.0 | 19,358 | 118,704 |
| Sep | 5448.0 | 5479.0 | +81.5 | 5491.0 | 5448.0 | 140 | 17,041 |

| OMX | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Apr | 3085.00 | 3015.50 | -11.50 | 3089.00 | 3015.00 | 69,743 | 29,007 |
| Jun | 3087.00 | 3052.75 | +22.75 | 3087.00 | 3052.75 | 392 | 150 |
| **SOFFEX** | | | | | | | |
| May | 7499.0 | 7472.0 | +46.0 | 7510.0 | 7435.0 | 3,810 | 21,238 |
| Jun | 7474.0 | 7450.0 | +45.0 | 7474.0 | 7443.0 | 16 | 303 |

## WORLD MARKETS AT A GLANCE

| Country | Index | Apr 20 | Apr 17 | Apr 16 | 1998 High | 1998 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Argentina | General | 22959.70 | 22748.53 | 22417.11 | 23695.47 23/3 | 18237.40 2/1 | 2.9 | 19.4 |
| Australia | All Ordinaries | 2872.5 | 2867.5 | 2881.4 | 2881.40 15/4 | 2542.40 12/1 | 3.2 | 20.7 |
| | All Mining | 678.1 | 679.9 | 681.8 | 681.80 16/4 | 582.20 13/1 | | |

*Early enthusiasm faded as the local dollar fell and bond yields moved higher. Volume was a subdued A$521m.*

| Country | Index | Apr 20 | Apr 17 | Apr 16 | 1998 High | 1998 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Hungary | Bux | 8874.62 | 8759.54 | 8632.56 | 8879.70 14/4 | 7280.79 | | |

*Bargain-hunting sent shares higher, but volumes stayed dull.*

| Country | Index | Apr 20 | Apr 17 | Apr 16 | 1998 High | 1998 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| India | BSE Sens. | 4210.73 | 4186.76 | 4134.32 | 4210.73 20/4 | 3209.55 | | |
| | Crisil 500 | 798.61 | 788.11 | 780.71 | 798.61 20/4 | 594.38 | | |

*Shares finished off the best of the day as political concerns resurfaced.*

| Country | Index | Apr 20 | Apr 17 | Apr 16 | 1998 High | 1998 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Indonesia | Jakarta Comp. | 508.16 | 507.90 | 510.07 | 554.19 2/2 | 342.97 | | |

## THE NASDAQ STOCK MARKET

4 pm close April 20

## THE NASDAQ STOCK MARKET

## AMEX PRICES

4 pm close April 20

## EASDAQ

# STOCK MARKETS

# Advancing equities brighten a dull day

**WORLD OVERVIEW**

Equities mostly pushed ahead on a broad front in Europe, racking up a smattering of record highs in spite of a dull day for the bond markets, *writes Jeffrey Brown.*

At the close, Frankfurt, Helsinki, Copenhagen and Brussels had all nudged deeper into uncharted territory, although activity was light and dealers reported little real weight of buying.

The dollar supplied solid support, hardening visibly against the yen and edging upwards against the main European currencies. But on the whole the day had a subdued tone. Paris, for example, traded a sub-average 10.7m shares.

The absence of focal points looked to be part of the reason. Economic data this week is thin on the ground both in Europe and the US, where today's Treasury budget statement looks the most obvious high point.

Best bet among brokers is for a March budget deficit of less than $14bn, or roughly one-third of the the red number run up by the US administration a year ago. If so, US bonds could shortly take fresh heart.

In Europe, the main focus was earnings, with eagerly awaited first-quarter statements due from a plethora of technology-related leaders.

Nokia and Philips are widely expected to produce a strong turn of speed this week and so is SAP, the German software leader which has achieved one of this year's more dazzling stock market performances.

Sentiment was also propped up by financial sector consolidation stories, which continued to flow at near flood-warning rates.

Allianz, the German insurer, and French banking leader BNP were among the more visible candidates. The former was said to be set to forge closer links with Dresdner, number two in the German banking league.

But it was perhaps left to Tokyo to supply the day's most eye-catching share price movement where Nissan Motor tumbled a full 9 per cent after Friday's late warning of rapidly dwindling profits.

The setback extended Nissan's decline since late January to 26 per cent and it helped underscore the weak condition of Japanese corporate earnings.

However, some brokers have begun to pinpoint the bottom of the immediate cycle. By the second half of 1998 profits should be showing signs of a recovery, according to Nomura Securities. The broker is looking to cost-cutting for the upturn.

# US blue chips dip as bonds turn lower

**AMERICAS**

Investment sentiment was mixed on Wall Street as blue chips were sent lower, but many technology and drugs stocks were marked up, *writes John Labate in New York.*

By early afternoon, the Dow Jones Industrial Average had fallen 52.31 at 9,115.19. The Standard & Poor's 500 was down by less than one point to 1,112.83.

Investors were more bullish towards technology shares and small-cap stocks, sending the Nasdaq composite 20.07 higher to 1,886.67, a gain of more than 1 per cent. The Russell 2000 also gained ground, up 2.26 to 489.27.

"Bonds have been under pressure all day, but the market is holding up pretty well," said Bill Meehan, analyst at Cantor Fitzgerald in Connecticut.

Treasury prices fell as dealers prepared for a heavy week of new corporate debt issuance. At the same time, the morning market was hit by speculation that Robert Rubin, treasury secretary, was near to resigning his post, although the Treasury denied the rumours.

Drug stocks were especially strong risers. Pfizer climbed $7⅛ to $112⅛ soon after an analyst at Paine Webber raised its rating. Shares of Eli Lilly also rallied, up $3$\frac{11}{16}$ or more than 5 per cent to $72$\frac{1}{16}$.

Cyclical and financial shares in the Dow pulled back. DuPont, the chemicals company, plunged $2$\frac{1}{16}$ to $74$\frac{11}{16}$ after CS First Boston cut its rating.

As bond prices fell, banking shares pulled back. Chase Manhattan lost $2$\frac{11}{16}$ to $134$\frac{1}{16}$ and J.P. Morgan was down $3 to $141¾.

Shares of Cendant continued to recover from last week's sharp sell-off. Shares were $2¼ higher to $23½.

In the technology sector, semiconductor shares rallied, with chip equipment maker Novellus more than 7 per cent higher to $46$\frac{1}{16}$. The Philadelphia Stock Exchange's semiconducor index was up 9.61 or 3.2 per cent to 310.79.

Other computer sectors were also strong. Gateway 2000 climbed more than 5 per cent to $50¾. 3Com, the computer networking company, rose $1$\frac{1}{16}$ to $34$\frac{1}{16}$.

**TORONTO** was flat at midsession on the back of some profit-taking in the banking sector. The TSE-300 composite index edged 3.25 weaker at 7,761.40 in low volume of almost 27m shares.

Among individual stocks, Ballard Power Systems jumped C$6.25 to C$160.25.

## Mexico City improves

**MEXICO CITY** was higher on expectations of firm earnings announcements by Mexican companies. The IPC index rose 23.81 to 5,107.5.

**SAO PAULO** was little affected by the death of Sergio Motta, communications minister, at the weekend. The Bovespa index rose a marginal 2 to 12,110.

The government named Juarez Quadros as an interim minister and Luiz Carlos Mendonca de Barros, president of the National Development Bank, as head of a committee to oversee the telecoms privatisation plan, sending a message to investors that the privatisation would proceed.

## Johannesburg climbs again

**SOUTH AFRICA**

Johannesburg overcame Friday's mild pullback, climbing to another all-time high as foreign and local investors ploughed cash into industrial and blue-chip stocks. The overall index gained 164 or 2 per cent to 8,358.7. Anglo, up R13.60 at R294, and De Beers, 200 cents higher at R136, led the charge.

Chemicals and oils group Sasol climbed R5.50 or 10.9 per cent to R56.10, boosting chemicals and industrials.

Industrials rose 264.5 or 2.7 per cent to 9,942.7 while golds were 4.9 higher at 940.7.

# Techs take Dax to new high

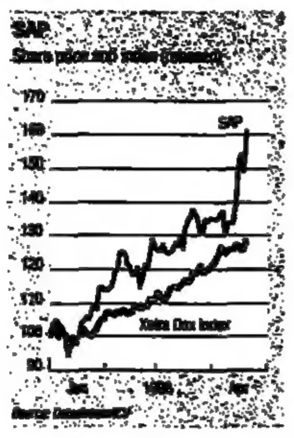
**EUROPE**

Sharp gains in the high-tech and banking sectors illuminated the way ahead for **FRANKFURT**, and the Xetra Dax index added 81.30 or 1.5 per cent to close at an all-time high of 5,407.93.

The high-tech sector was the day's winner. SAP surged DM38.40 to DM938.45 on expectations the group would report strong first-quarter data today. Analysts said the software group was likely to enjoy strong sales this year, though not at the same pace seen in the first quarter of the year.

Computer 2000, soon to be taken over by Tech Data of the US, soared DM50.10 to DM750.10 after it forecast a sharp rise in 1997-98 earnings and the possibility of resuming dividend payments.

SAP
Share price and index (rebased)



Financials were again in focus. Dresdner Bank added DM4.15 to DM99.90 on a fresh wave of speculation that it was poised to announce a merger, possibly with two Bavarian banks and its ally Allianz. At the same time, buy recommendations from a number of major houses helped the shares ahead.

Allianz, meanwhile, was marked DM7.50 higher to DM619 as it declined yesterday to comment on the speculation.

Deutsche Telekom rose DM1.35 to DM46.65 with strong demand said to be coming from the US.

Among the carmakers, Volkswagen picked up DM30.50 to DM1,492.50 amid reports the company planned an improved offer for Rolls-Royce Motors in the UK.

**PARIS** peaked above the 3,900 point level on the CAC 40 index, but pulled quickly back as the dollar gave up early gains and Wall Street made an uncertain start. The blue-chip index finished 24.11 higher on the day at 3,895.69.

**FTSE Actuaries Share Indices — European series**

| April 20 National & Regional Markets | Euro Index | Day's % | change points | Yield gross % | xd adj ytd | Total return (Ecu) |
|---|---|---|---|---|---|---|
| FTSE Eurotop 300 | 1235.24 | +0.15 | +1.88 | 1.89 | 8.16 | 1251.44 |
| FTSE Eurotop 100 | 2838.31 | +0.53 | +14.83 | – | – | – |
| **FTSE Eurotop 300 Regions** | | | | | | |
| 300 UK | 1182.15 | –0.53 | –6.34 | 2.78 | 12.84 | 1215.66 |
| 300 Ex-UK | 1265.15 | +0.52 | +6.51 | 1.43 | 2.30 | 1271.84 |
| 300 Eurobloc | 1250.88 | +0.62 | +7.74 | 1.80 | 2.28 | 1257.86 |
| 300 Ex-Eurobloc | 1227.21 | –0.19 | –2.30 | 2.10 | 8.95 | 1249.63 |
| **FTSE Eurotop 300 Economic Groups** | | | | | | |
| Resources | 1017.27 | –0.24 | –2.46 | 2.60 | 8.69 | 1036.75 |
| General Industries | 1177.66 | +0.76 | +8.88 | 1.79 | 5.64 | 1188.59 |
| Consumer Goods | 1152.10 | +0.18 | +2.11 | 1.58 | 5.78 | 1170.40 |
| Services | 1176.24 | –0.07 | –0.77 | 1.67 | 5.24 | 1193.13 |
| Utilities | 1338.55 | +0.55 | +7.35 | 3.29 | 1.84 | 1356.80 |
| Financials | 1412.04 | –0.06 | –0.83 | 1.74 | 8.10 | 1429.10 |

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Dior provided a glittering performance, rushing FFr82 or 11.2 per cent higher to FFr814, albeit in modest volume, as first-quarter sales, hit by Asia troubles, came in better than many expectations. LVMH, 41 per cent owned by Dior, rose FFr62 to FFr1,233.

Bouygues gained FFr44 to FFr1,006 on a report that the chairman had enlisted the help of a US investment bank in a dispute with a new shareholder. The share was also helped by news that Cable & Wireless had sold its stake in Bouygues Telecom to Telecom Italia.

Computer maker Bull jumped FFr5.10 or 6.9 per cent to FFr79 on recent upgrades after the company announced ambitious profits targets at the start of the month.

**ZURICH** turned higher after the declines of the previous three trading sessions, led higher by rebounds in Novartis and Roche. The SMI index finished 46.4 higher at 7,500.1 after profit-taking had pulled the index down from the day's high of 7,532.0.

Novartis jumped SFr23 to SFr2,564 while Roche certificates added FFr285 to FFr15,285.

Nestlé, on a downward track since it posted an all-time high of SFr2,971 on April 6, continued lower, closing SFr39 down to SFr2,798.

Holderbank, the cement group was marked SFr5 higher at SFr1,630 as CSFB maintained its buy recommendation ahead of today's annual news conference.

ABB rose SFr7 to SFr2,380. Late on Friday, Martin Ebner's BZ Group said it had raised its stake in voting rights to 11.6 per cent.

Among financials, Zurich Insurance rose SFr14 to SFr931 while the often volatile Baloise jumped SFr8,625.

**AMSTERDAM** pushed higher on earnings optimism. Ahead of first-quarter results, Philips, Akzo Nobel and Baan all surged strongly and the AEX index ended 19.65 higher at 1,181.41.

Philips rose Fl 7.60 or 5 per cent to Fl 158.80 while Akzo Nobel gained Fl 19.90 to Fl 433. The two report tomorrow. Akzo was also buoyed by confirmation of a $3.1bn UK takeover, which propels the group to the top of the global paints market. Baan added Fl 3.70 to Fl 107.20 in advance of a results statement late yesterday.

Brewers were active, with Grolsch rising Fl 4.20 to Fl 62 on a renewed outbreak of talk that Interbrew, the Belgian giant, was teeing up a bid. Heineken rose Fl 18.40 to Fl 500.40. Among financials, ABN Amro added Fl 1.20 to Fl 54.10.

**MADRID** firmed in spite of late profit-taking triggered by softness on Wall Street. The general index rose 12.08 or 1.3 per cent to 917.45 as utilities weathered profit-taking that weighed on other blue chips.

Endesa, the electric and gas utility, rose Pta65 to Pta4,055, and Iberdrola, which produces and distributes electricity, added Pta20 to Pta2,535. Telefónica declined Pta50 to Pta6,660 on profit-taking.

**MILAN** closed marginally lower although banking stocks rallied on continued expectations of mergers. The Mibtel index fell 101 to 25,199.

Banca Commerciale Italiano rose L477 to L10,313 on speculation of an imminent merger announcement, while Banca di Roma gained L114 to L3,564.

**HELSINKI** jumped almost 3 per cent thanks to active buying by foreign investors. The Hex index rose 135.73 to 4,866.97, with Nokia, forestries and financials leading the rally.

Nokia closed up FM21.50 to FM355. The company is scheduled to release its first-quarter earnings on Friday and investors have started to discount favourable earnings figures.

Forestry shares were higher, with Enso up FM1.50 to FM59.60.

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono and Paul Gregan

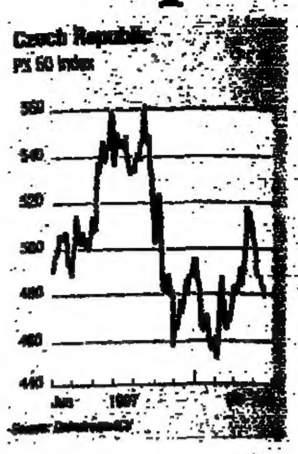
**EMERGING MARKET FOCUS**

# Little spring in Prague's step

Prague has remained isolated from emerging market trends. It was already down and out when the Asian crisis hit and it has failed to achieve a convincing bounce-back since.

Instead, the PX 50 has reflected political events since the Czech government fell in November.

Czech Republic
PX 50 Index



Sentiment firmed when Josef Tošovský, the governor of the central bank, was appointed caretaker prime minister at the start of the year. But the market fell as it looked increasingly unlikely that the opposition Social Democrats, who are leading in opinion polls, would be able to form a stable majority government after the June elections.

This raises the risk that the former right-wing government's belated reforming zeal – which has been carried through by Mr Tošovský – will stop. "The biggest worry is that there is no clear winner after the election," says Jan Sykora of brokers Wood & Co.

Even when the new coalition finally puts together a programme, it is not likely to be one investors will want to hear. The Social Democrats propose deficit budgets and delaying privatisation and deregulation, which could hurt the stocks of banks, which are awaiting privatisation, and CEZ, the dominant power company whose earnings are dependent on energy price deregulation.

Investors have been cheered, however, by improving economic figures, with gross domestic product and the current account recovering on the back of a strong export drive. Growing unemployment indicates companies are at last restructuring. Inflation and interest rates appear to have peaked as domestic consumption is controlled.

The seedy image of the market could also be revised soon, following the establishment of an aggressive Securities Commission at the start of this month.

There is also the prospect that the market's poor liquidity will be relieved by investment fund reform. Many funds have begun selling off their shareholdings, combining to sell large stakes off-market at a premium to strategic investors.

However, the economic slowdown and tight monetary policy have taken their toll on corporate results. Banks have reported terrible earnings as they put aside reserves to cover bad debts.

"Investors are looking for stocks isolated from domestic trends," says John Lomax of HSBC. Their main bolt hole is SPT, the fixed-line telephone monopoly, which has a weighting of about 18 per cent in the market, and has benefited from comparisons with Matav, its counterpart in Hungary.

"SPT is a genuine earnings growth story," says Alexander Angell of Wood & Co. "It also appeals to a broader spectrum of investors, such as technology funds."

Mr Angell believes that while most investors will wait for the election and will want to see whether the crown depreciates further, some may return earlier in order not to be caught out by the lack of liquidity.

**Robert Anderson**

# Land tender lifts Hong Kong

**ASIA PACIFIC**

Unexpectedly strong results from Friday's land tender and gains on Wall Street offered encouragement to **HONG KONG** and the Hang Seng index climbed 150.31 or 1.4 per cent to close at a session high of 11,151.63.

Turnover, however, shrank to HK$5.3bn from Friday's HK$8.2bn, and technical analysts cautioned that the market was showing weak signals, suggesting a pull-back was on the cards.

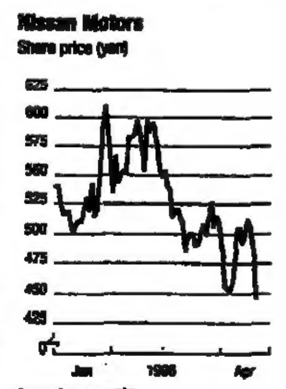
Sun Hung Kai Properties led the way higher, rallying HK$2.65 to HK$51.25 after its Harsco business won the 43,143 sq m residential plot at Leighton Hill, Causeway Bay, at a government land tender for a higher-than-expected HK$3.6bn.

The optimism rubbed off on Cheung Kong, which added HK$1.25 to HK$54.25, and New World Development, which ended 40 cents higher at HK$25.15.

Investors are awaiting further guidance from tomorrow's land auction when the government will auction sites in Sheung Shui in the New Territories on Peking Road, Tsim Sha Tsui.

Cathay Pacific rose 50 cents to HK$7.45 on speculation over changes to the carrier's shareholder structure.

Nissan Motors
Share price (yen)



**TOKYO** traded narrowly in low volume, levelling out after a decline of almost 600 points in the three days to Friday. The Nikkei 225 Average ended a bare 6.70 lower at 15,697.

Volume was low with 283m shares changing hands compared to 440m on Friday. Brokers said the market was rangebound, with investors awaiting further details of the government's latest stimulus package.

The Nikkei 225 traded within a band of 15,598.95 to 15,729.77. The Topix index of all first-section shares was also subdued, closing 0.06 lower at 1,212.38.

The government is widely expected to provide a more detailed account of its Y16,000bn economic package this week. Brokers said the mood was fairly tense. "Sentiment could swing either way," said one trader.

Nissan Motor was the most active first-section stock after a warning on Friday of a steep fall in profits for last year. The shares fell Y44 or 9 per cent to Y447.

Nissan Diesel, which is 40 per cent owned by Nissan Motor, shed Y15 to Y160. A debt downgrade by Moody's left Mitsubishi Oil Y13 lower at Y195.

National Securities, which on Friday announced plans to reduce its capital, gave up Y8 at Y107. Takeda Chemical lost Y80 at Y3,570 on media reports that certain group drugs may lose health ministry approval.

**TAIPEI** was hit by heavy selling of electronics shares and closed down 2.5 per cent. The composite index lost 217.38 to 8,508.56 after a volatile session.

Shares gained ground in early trading on hopes that ASE, the microchip testing and packaging company, would rally after it went ex dividend. However, lingering negative sentiment surrounding electronic shares, which weighed on the sector last week, again dragged the market lower.

The sector lost 5 per cent, although late bargain-hunting cut some of the earlier losses. ASE closed at T$106.5 while Acer fell T$4.5 to T$62.

**SEOUL** finished weaker with traded volume of only 35.7m shares, the lowest for a full-day session this year. The composite index lost 5.95 or 1.4 per cent to 435.73 although analysts said foreign demand for blue chips had limited the fall.

Kia Motors bounced Won100 to Won5,000 as union employees said they would work half-days from today, ending the five-day strike that began after the ailing carmaker was put into court receivership.

But Ssangyong Securities fell Won565 to its daily limit low of Won4,155 as the Financial Supervisory Commission announced that the group's capital adequacy ratio had fallen under 100 per cent, sharply below the minimum acceptable ratio of 150 per cent.

**BANGKOK** lost ground on thin trading as concerns over Thai banks' first-quarter earnings depressed shares. The SET index fell 4.62 or 1 per cent to 434.37.

The finance sector lost almost 3 per cent, while the banking sector declined 1 per cent. Securities One, the day's most active issue, fell Bt0.7 to Bt7.2.

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